

How I Stole A Billion Dollars,
The Confessions of James Li ©

By Ahmed Amr

Dedicated to: Charles Cerny, Cliff Buxbaum and Amr Amr

- For Fighting the Good Fight against our Delinquent Guardians

Madoff Was a Psycho

Bernie Madoff was an old school psycho. You have to be psycho to expose yourself to the slam of a jail cell door. I don't think I could stand a single night behind bars. The only thing more humiliating than being confined to a cell without temperature control is having to share it with complete strangers. You don't even get to control the light switch.

Madoff will spend his remaining days and nights at Federal Correctional Institution in Butner, North Carolina. His projected release date is November 14, 2139.

When he began his 150 year sentence, Madoff's stress levels were so severe that he broke out in hives and other skin maladies. His only remaining source of solace is the affection of his fellow inmates who address him as Mr. Madoff or Uncle Bernie. Even the warden treats Uncle Bernie with respect – if only on account of his age and his high bred manners.

Bernie might be a big man behind bars, but he is no different than any other prison inmate. No amount of solace can change that equation. The way I see it, Madoff is the lowest man on the totem pole because the warden goes home every night and most inmates eventually get released. Bernie Madoff will never walk free again. He won't even be meeting with a parole board any time soon. Even with good behavior, they'll let him out on his 201st birthday.

I'm not Bernie Madoff and I'm not a Psycho. I am a free man in Hong Kong and my lights go out when I turn them off.

Bernie had the class of a common hustler. He pitched his scam to his well-heeled prey in person and had no problem soliciting clients from Palm Beach Country Club members or stealing from his neighbors on Park Avenue. He shook their hands, joined them at charity galas and walked away with their wallets.

Many of Bernie's clients were also Bernie's friends – part of his social circle. He stole from the kind of people that can afford Park Avenue lawyers. Those kind of people are off limits and he must have known that.

Before he was a thief, Bernie was a cop - a market regulator. At one point, he actually presided over NASDAQ and had a say on how business was conducted on Wall Street. Madoff didn't need

connections; people with considerable wealth and influence willingly handed their estates to the crook.

I'm not Bernie Madoff. I'm not a hustler and I'd never steal a dime from a friend. For the most part, I never personally encountered my victims. Many of them wouldn't recognize my name. They don't even know I stole their money. Their money just went missing. How it went missing is a long story. If I sat them down and explained the details, they still wouldn't get it.

I might have met a couple of shareholders at trade conventions. I have a few dim recollections of polite exchanges with a few. It was not an unpleasant experience, but I'd rather not know them and I certainly don't want to introduce myself now. We are where we are and it's too late for polite introductions. I prefer to operate in the shadows and that necessitates minimal public contact.

Sooner or later, the Madoff scandal would have been exposed. Uncle Bernie just expected to die before having to deal with the consequences. Unfortunately for him, his actuarial calculations were off. The only thing Madoff planned to leave behind was an apologetic last testament - "Sorry, I couldn't resist the temptation."

The old school way - the Madoff way - is just way too dangerous. If you don't die fast enough, you can't avoid the consequences. The new school way is to put in place proper procedures and possess proper documentation to deal appropriately with any consequences as they arise and to always make provisions for worst case scenarios. That's how a professional operates a billion dollar heist.

With Ponzi scams, you get rich quick, you get caught and then you slowly rot away in jail. There is a mathematical certainty that a Ponzi scam will collapse and they tend to unravel in the public square. Once the cat is out of the bag, you can't put a lid on it. This is especially true if you steal \$50 billion dollars from well-connected New Yorkers. And if one of your victims is a United States Senator, you're playing Russian roulette with five bullets in the chamber. Madoff knew he had no way out. He had to turn himself in or pick up a pistol with one empty chamber and do what his son did – kill himself.

Bernie Madoff and I played on the same field. We played the same game at the same time. You might even say we played on the same team. But I played by Hong Kong rules – new school Hong Kong rules. You really can't catch me. You can't even chase me. I have a long prosperous life ahead of me and I intend to live it as a free man in Hong Kong.

Ponzi scam artists don't just wake up with hangovers, they flame out in a fiery spectacular crash that obliges them to immediately place their living breathing bodies in the custody of a jail warden. You have to be a psycho to even consider the risk.

Certain failure is not an acceptable outcome. It seems obvious, to my mind anyway, that the only acceptable outcome of any venture should be certain and permanent success. Only a psycho would sign up for a deal that promised only a temporary invitation to fabulous fortune. The only deal I would ever accept is a license to legally plunder Wall Street, launder my illicit fortune and make it last forever.

I am a free man in Hong Kong and Madoff is in jail. Those results speak for themselves. I did everything that Madoff did and more. He sent out bogus statements to his clients. I forged documentation that was just as worthless as Madoff's. The trick is to keep forged documents concealed.

Primitive Securities Fraud

The only reason I make mention of Ponzi and Madoff is to quickly dispel the notion that there is even a remote possibility of getting away with an old school Ponzi scam and to demonstrate that no amount of intricate accounting can prevent the collapse of a fraudulent pyramid scheme.

The one glaring flaw of primitive Ponzi scams is that it's impossible to bury the evidence of criminal activity. A successful Ponzi scam is measured by how much it rakes in and how long it manages to conceal the evidence of criminal activity. By that measure, Madoff is a legend.

Measured by scale and longevity, Madoff pulled off the greatest one-man confidence game in human history. But, when it came to concealing the evidence, he was no different than Charles Ponzi. The incriminating evidence could not be permanently concealed. The best Madoff could do was postpone discovery for three decades. One can only begin to imagine what it would be like to sit on a dormant volcano for three decades.

Ponzi and Madoff sold their wares directly to the public and took personal responsibility for making good on their promises. Never take personal responsibility and never sell directly to your victims.

Old school Ponzi scams collapse because they take in money and then can't meet their obligations to pay it back. If you never intend to make good on your promises and you think you can get away with it, that's a real simple and elegant business model. Instead of robbing a stranger at gun point, it's infinitely more civilized to relieve victims of their wallets by way of deception and without the drama of having to mug them. The problem with that business model is that the outcomes are just as repulsive and you invariably end up sharing the same jail cell with real muggers.

All Ponzi ever did was issue thousands of IOU's secured by his good name and his reputation as a world class financier who traded in currency and postage stamps. The tantalizing temptation of Ponzi's fantastical high yields became all the more attractive when Ponzi started redeeming his notes for real cash. As long as he kept honoring his signature, Ponzi's signature was as good as

gold. Ponzi's great crime was to issue an "I Owe You" without ever intending to adhere to the "Pay You Back" clause in the contract.

Madoff had a slightly different approach of getting his hands on other people's money. He convinced some very sophisticated people that he was the best and most experienced custodian for their wealth. He traded on his reputation as the ultimate wealth management guru. Instead of managing his customer's portfolios, Madoff helped himself to their assets. When Madoff's clients came back to reclaim their money, there was just no way to account for the absence of \$50 billion dollars.

Over three decades, Madoff executed thousands of transactions – each of them amounting to a simple contract between Madoff and his very discrete victims. Ponzi was more prolific – he shook hands on tens of thousands of contracts in less than a year.

To steal a billion dollars, I negotiated a few deals with three different kinds of bankers and never took personal legal responsibility for anything. Always keep things simple and do it with the absolute minimal number of transactions possible.

The Secret of the Inner Sanctum

Allow me to dispense with the suspense, by revealing the Secret of the Inner Sanctum early in this story. In the beginning there was the hermetically sealed inner sanctum that held one secret. Those fortunate enough to know this most sacred of secrets gained superhuman advantages over financial adversaries, because eyes that are not deceived reap the profits of visual clarity. The smartest actors in this drama were consumed by ignorance and ambiguity – some of it self-induced.

The Secret of the Inner Sanctum was that there was a forgery lab in one of our offices – the well-lit room in the back corner that doubled as the graphics department of SBC, a company I presided over for three years.

This is my confession. For four years, starting in 2004, I masterminded a global financial racket that took in nearly a billion dollars. This is a real story about how we got our hands into the pockets of tens of thousands of American investors and how we got away with it.

Let me start with a tour of my workspace which will quickly familiarize you with some of the tools of my craft. I didn't operate out of a penthouse overlooking Park Avenue. Command central was a small office in a modest administrative building next to our warehouse in the City of Industry, a manufacturing hub a few miles north of Los Angeles.

This is the workspace where I produced my master forgeries – forgeries good enough to convince some very sophisticated financial industry professionals to write me checks for hundreds of millions of dollars. Only master forgeries can escape the detection of California commercial banks, Wall Street investment bankers and a Greenwich Hedge Fund run by

Goldman Sachs Pros. I even got them past a bankruptcy judge who was exceptionally ambivalent about forgery. As you follow the plot, try to differentiate between the blind actors and the devils with blinders who pretend that they just cannot see.

Let me start from the beginning. For time and place - it's 2004 and I was the founder and CEO of a privately held registered California corporation that imported and distributed Olevia branded HDTVs manufactured in Taiwan. We were operating a shoe string enterprise and started by selling our Olevia branded TVs to tech savvy value consumers on the internet. In short, we had a real business that didn't do a whole lot of business.

There's basically a few ways to drum up new business – connect with more buyers or sell more of your product to your current customers. Of course, there is always a third option - fabricating phantom customers. You don't have to forge documents for that. You just find a way of registering a company under someone else's name.

The next natural step is for the fake customer to start buying your product. That's where forgery becomes indispensable. The tools you see in my workspace are all you need to forge fake purchase orders, shipping documents, letters of credit, bills of lading or any other documents as the need arises. This workplace is the scene of the original sin.

For everything there is a purpose and the purpose of forgery is to deceive. Now that you know my craft, it should be easy for you to dispel any ambiguity about how I operated this billion dollar scam.

When it comes to using bait, old school or new school doesn't really matter. We all use the same bait – fabricated documentation, imaginary numbers and a song and dance routine. My great strength was in producing forged documentation that would never be questioned by anybody.

Now let me make one more confession at this time – I'm not the only one who knew the secret of the inner sanctum. There were others and you will know them by their deeds.

Robbing Peter and Paul

Madoff did pretty much what I did. He fabricated documents that appeared to be authentic account statements based on real transactions. When a client needed money out of their Madoff brokerage account, Bernie sent them a check in the mail. As long as Madoff wrote good checks to his clients, he was on the right side of the law. When Madoff's money ran out, his Ponzi scheme collapsed and he went directly to jail and won't be getting out anytime soon.

Madoff had it coming. If your forgeries can't escape detection, you shouldn't be in the forgery business and if you don't have an exit plan, you're a psycho.

You just can't get away with a scam that robs Peter to pay Paul. That's old school and just plain crazy. Even Charles Ponzi didn't get away with it. After spending fourteen years in jail, Ponzi went

blind, lived in abject poverty and died in a charity hospital in Rio de Janeiro. No amount of money is worth enduring such a miserable fate.

By the grace of Christ, Barabbas was untied from the cross and by the edict of learned judges attired in holy robes, his Roman captors released him to melt away into the crowd without ever having to report to a probation officer. Charles Ponzi was not so lucky. Even though he paid his debt to society and repented for his sins, he died alone, a broken man exiled to a distant land, an unforgiven pauper. The only thing that survived Ponzi was the evidence of his crime and a tainted name.

Marguerite Marshall, a novelist and syndicated columnist, was a contemporary of Ponzi and obviously taken in by his Midas touch and his flamboyance. It was Marshall who proclaimed that "*Ponzi's talent* would be wasted anywhere else than in America." For a very short season, Marshall's take on Ponzi reflected the common sentiment among the gentry in New England and Ponzi reveled in the applause. The Washington Post hailed him as "the premier get-rich-quick financier of the age." The *Rochester Times-Union* declared that Ponzi had "shown Wall Street and the greatest financiers in the world that they are pikers."

Of Ponzi, Neal O'Hara opined that "If five-spots were snowflakes, Ponzi would be a three day blizzard." Back in the 1920s, the financial press had no problem promoting get rich quick scams. And nobody fawned over Ponzi like Marguerite Marshall. "With no other security than his personal note, Boston is pouring all its savings into Ponzi's hands. Like a tidal wave, the passion for investment with the new Italian banker has swept over Boston folk until it took half of the Boston's police force to subdue the enthusiasm of a throng of prospective investors overflowing from the banking office, through the corridors, down the stairs, and into the street, blocking the traffic."

Ponzi couldn't resist the temptations that come with being blessed with a silver tongue, a facility for learning foreign languages, a rudimentary understanding of bookkeeping and banking and an uncanny ability to evolve and adapt to an alien way of life. He became an American in every sense of the word. To the extent that any southern European Immigrant could rise to pre-eminence in the Boston of the 1920s, Ponzi was a smashing success.

Ponzi's scam was a pure confidence game sustained by his extraordinary theatric talents. With pure confidence games, the company you sell has no real business. And once the curtain is pulled back, there is nothing. The shelves are not only empty; the shelves never existed.

From Ponzi to Madoff, every pyramid investment scheme has turned into a disaster for its authors. Robbing Peter to pay Paul is not a rational business plan.

The new school way is to put together a business plan that robs both Peter and Paul and makes certain they don't come looking for restitution. First you fleece them, then you legally disarm them, then you just forget about them. With a little time, they'll forget about you.

I am not saying this to boast but stealing a billion dollars takes a great deal of business skill and flawless execution. If you think you can just wire the money to offshore accounts, file for bankruptcy and move to Hong Kong to get a fresh start, you shouldn't steal a billion dollars. Hong Kong Rules are a little more complicated than that.

Personal Matters

A century ago, Ponzi landed in Boston Harbor having already burned through a wad of cash living it up on the 1920s equivalent of a first cabin cruise across the Atlantic. To alleviate the occasional bouts of boredom, Ponzi succumbed to the temptation of partaking in poker games with card sharks. By the time he disembarked in Boston, Ponzi had two bucks in his pocket and nothing worth hocking.

I have nothing against recreational gambling but you can never beat the house. I'm very risk averse and I know enough not to wager real money. But like Ponzi, I landed on America's golden shores with dream of making a million, the same dream that stirs the imagination of every ambitious young immigrant.

From the moment I got my Green Card, I scrambled to inhale America with a garden hose in my nose. I found success early and by my late thirties I was the international procurement manager for Gateway Computers. I got great pay, the best benefits, stock options, corporate expense cards – a company car – first cabin all the way.

After years of honest hard work and seventy-hour weeks, all I had to show for it a nice house, a happy prosperous family, a few hundred thousand dollars in the bank and a pink slip from Gateway. Nobody ever makes a fortune working for a living and there is no such thing as job security.

This is a confession not an autobiography. If I do tell you something personal it will be to reveal some particular detail that is relevant to the plot. But this is a tale about a sin that happens to involve a wide variety of sinners. It's pointless to focus on my character. You would be better served by concentrating on my techniques than obsessing about my personality or what stirs my inner soul.

As a veteran of the tech industry, I can determine with great precision a fair wholesale price for just about anything a tech company might want to buy. As a buyer, I know how to squeeze the last dime out of a deal in an industry where the suppliers have all the advantages.

What I want to make clear is that I came to the game with some well-honed negotiating skills.

After you've cut enough multi-million deals with supply chain manufacturers in any industry, one thing you quickly get used to is big numbers. For ten years, I threw around big numbers with some of the most brilliant sales engineers in the world. I acquired my negotiation skills by getting

the best of very rational, intelligent and, for the most part, ordinary people – sales engineers in a fast moving and dynamic electronics industry.

It would be useless to dwell on whether what I did was right or wrong. There is no question it was a sin but, once you get started, you don't have the option of throwing in the towel. Come hell or high water, you have to complete the mission. My mission was to steal a billion and extinguish any personal legal liability to give it back.

Personal Jurisdiction

A crime is always a sin. But a sin is only a crime in certain jurisdictions. Sir Henry Morgan was knighted for his piracy on the high seas by a British government that issued him a buccaneer's license to plunder Spanish merchant ships. Black Beard practiced the same craft in the same Caribbean waters but without a license and with total disregard for the law of the sea. Both men committed the same sin but Morgan lived and died a hero of the British Empire. Black Beard had his head chopped off and delivered as a gift to the Governor of Virginia.

"They vilify us, the scoundrels do, when there is only this difference – they rob the poor under cover of law and we plunder the rich under cover of our own courage." The words are attributable to Sam Bellamy, a pirate who knew both Morgan and Black Beard and couldn't distinguish the difference in their craft. The moral of that story is that if you're going to steal, make sure you have a current buccaneer license so nobody ever accuses you of being a thief. I have none of Black Beard's courage but I have managed to plunder the rich under cover of law.

The reason I bring up personal jurisdiction at this time is to impress the importance of planning for worst case scenarios and making adequate provisions for dealing with anything that can possibly go wrong.

You can't expect the authorities to arrest a man in Hong Kong because he picked your pocket in Phoenix or Los Angeles. Why would police arrest a man who can't been charged with a crime in their jurisdiction? It doesn't really matter if I picked your pockets in both cities. I'm a resident of Hong Kong and a citizen of Taiwan.

The Peoples Republic of China doesn't recognize me as a Taiwanese citizen – which turns out to be a good thing. It's not because my papers are not in order, the PRC just doesn't recognize Taiwan. The powers that be in Beijing insist that I am a citizen of the People's Republic because Taiwan isn't a legal entity in their eyes– it's not even a recognized state. It's complicated.

The important thing is that my travel documents are in perfect order. When necessary, I can travel around with a Taiwanese Passport and a PRC Mainland Travel Permit. I might be a United States Citizen in America – but, when in Hong Kong, I'm a Taiwanese born overseas Chinese with proper legal papers. That kind of documentation gives me immunity from being extradited.

Personal jurisdiction always matters. The place where your physical body is located has always been very important in the eyes of the law. Never venture into a situation where somebody, by any authority, has legal cause to take possession and ownership of your living breathing body. At all times, maintain personal custody of your anatomy.

I've never inflicted any harm on anybody in Hong Kong or Taiwan. I think I am entitled to safe sanctuary in a place where what I did is considered a sin and not a crime. I'll be the first to admit that it's not nice to steal a billion dollars. But we are commanded to hate the sin and forgive the sinner. In Hong Kong, I'm not only a free man – I am a forgiven sinner. And as my mother used to say, "a saint is a sinner that never stops trying."

I don't look behind my shoulders anymore. Time is on my side. The trail goes cold, the money can't be found and statutes of limitations expire. My troubles are over. You do your thing and leave the rest to the lawyers. If the trail isn't cold enough, they'll just keep pouring ice on it until the whole sordid affair is discretely sorted out by some bankruptcy judge in Delaware.

One Trick Ponies and Hong Kong Rules Ponzi Scams

Another reason I mention Charles Ponzi and Bernie Madoff is to demonstrate the difference between a pure Ponzi scam and Hong Kong Rules Ponzi scams. The obvious difference is that Bernard Madoff and Charles Ponzi got caught and I got away with the money. Not only that, there was really no way for Ponzi and Madoff to escape the consequences and there was really no way I could be caught.

Ponzi and Madoff ran a primitive one trick pony enterprise. They sold securities based on the strength of their signature and they sold them directly to their investors. Until their scams unraveled, they both managed to conceal the fact that the pony was dead and buried, could no longer be accounted for and appears to have never existed.

Charles Ponzi's promises to investors were as unlikely as his pregnancy. That didn't prevent Ponzi from concealing his maternal state for nine months after the due date. Ponzi's theatrical brilliance, his audacity and inimitable grace allowed him to carry off a hoax that could only have happened in the primitive unregulated securities market of the roaring twenties.

Charles Ponzi was, first and foremost, a performing artist who mesmerized his target audience with his pie in the sky dreams of instant riches. His spell binding act ran for a very short season. But while it lasted, gullible giddy investors were dreaming impossible dreams.

Before pedaling securities to credulous Bostonians, Charles Ponzi had done hard time in Quebec for bank fraud. Madoff's resume, on the other hand, was unimpeachable. In the Financial Community, The Madoff name was as recognizable as Warren Buffett. Madoff was not just any old broker. He had served as chairman of NASDAQ and his family brokerage was a pioneer in automating Wall Street trading and reducing the costs of executing a trade.

While he kept a lower public profile than Buffett, Madoff's reputation as a market guru and his charitable giving allowed him to mingle with individuals who had large family endowments or were trustees for charities and non-profit organizations. These were the people who were destined to be his clients. I dealt with an even more select and sophisticated clientele – the crème de la crème of the Securities Fraud Industry and I only had to close a few deals to consummate the perfect billion dollar heist.

Beware the Burn Rate

It seems redundant to say but old school Ponzi scams crash and burn because of their burn rate. Sooner or later, Ponzi scam burn rates get out of control and the fire scorches everything. You can rob Peter to pay Paul only as long as you can convince people like Peter to hand over their money while persuading people like Paul to keep their chips on the table for the long haul. Madoff managed to do it for three decades. Ponzi crashed and burned in a year.

There is no amount of accounting acrobatics that can eliminate the burn rate. A prudent Ponzi operator can keep the burn rate under control but there is no way to completely extinguish the flames.

The burn rate begins the day you turn the lights on with your overhead expenses. Even Ponzi scam artists need to spend money to make money. In a real business, you spend money for legitimate business activities like importing TVs and selling them to paying customers. In an old school Ponzi scam, you don't have anything that can possibly be mistaken for a business but you still have expenses like rent and salaries and you have to make redemptions on demand.

Every Ponzi scam artist lies about the true financial condition and the prospects of their enterprise. Old school Ponzi scam are all about false promises, deceit, concealing evidence of an ongoing crime and postponing the day of wreaking. Madoff managed to postpone the day of wreaking for three decades. I suppose that's some kind of record for old school Ponzi scams. With Hong Kong Rules, the day of wreaking is permanently postponed.

Hong Kong Rules can't protect you from the inevitability of a crash because crash you must. The trick is to make the inevitable crash an irrelevant detail and walk away without ever having to explain the unfortunate demise of your enterprise. With the right lawyers, you don't even have to endure a post-mortem inspection of the crash site. Your parachute opens long before final impact and corporate counsel take care of the rest.

Old school Ponzi scams last as long as the Ponzi scam artist can cover overhead expenses and make good on the dreaded redemptions. To redeem or not to redeem, that is a question that is entirely determined by their clients.

Ponzi catered to jittery unsophisticated and, in some cases, illiterate speculators who were legally entitled to redeem investment and pocket their profits. Some walked away after 90 days

with a whopping 45% profit. Others waited a year and quadrupled their money. The bag holders stayed to the very end and watched their savings go up in smoke.

Madoff's boutique financial service brokerage catered exclusively to rich sophisticated clients who were immune from plebian bouts of angst and were happy to keep their money fully invested. As long as Madoff delivered on his promises, they were as likely to make additional deposits as to make redemptions.

Madoff made a good choice of clients but he made the mistake of not predicting the ferocity of the crash of 2008. The swindler never thought he'd live to see the day he was caught.

Never Take Personal Responsibility

Madoff fraudulent scam was designed to last for a life time – Madoff's life time. He did a superb job of managing his burn rate and it took thirty years and a historic market collapse to uncover his \$50 billion hoax. The horror of it all was that all his clients were sophisticated investors.

'Sophisticated Investors' is a legal term. It means the victims were rich enough and competent enough to conduct their own due-diligence and make their own financial decisions. They were, after all, investing in unregulated securities. The only due-diligence Madoff's clients ever did was review their monthly financial statements which were essentially forgeries with fabricated numbers.

Madoff was very particular about who to accept as a client. His pool of candidates had to be legally qualified sophisticated investors and they had to have enough money for him to bother with and he didn't want clients who jumped in and out of his funds. He would only deal with discrete mature investors who believed in the wisdom of long term returns and the magic of compounding.

Madoff preyed on clients who just wanted to watch their money grow; the kind of clients who are content to see predictable figures on every monthly statement. That's how Madoff controlled his burn rate for thirty years. His overhead was next to nothing and he convinced his clients to invest for the very long term. As Keynes observed over a century ago "In the very long term, we're all dead." That was Madoff's only mistake – he thought he could outlive his burn rate and die before any of his clients inhaled a whiff of scandal.

The essential difference between Madoff and Ponzi was that Madoff stole from the very rich and Ponzi stole from anybody with a buck in his pocket. If their clients didn't exercise their right to redemption before the day of reckoning, they lost all their money.

Both Madoff and Ponzi sold their financial hoax directly to investors. While the money lasted, Madoff and Ponzi took complete personal responsibility for making good on redemptions. With

Hong Kong Rules, you never take personal responsibility for anything and you never make redemptions.

Madoff had to sell his “financial products” to thousands of clients. Eventually, he couldn’t resist the irresistible and started selling through feeder-funds. That was his Achilles heel. Once Madoff lost the ability to personally inspect his clients and make a reasonably accurate assessment of their long term investment behaviors, he lost control of the burn rate and put his fate in the hands of unpredictable investors in a very crazy trading season.

I don’t know what Ponzi was thinking. You shouldn’t start promising people 45% returns on a 90 day note unless you’ve got your papers in order and your bags are packed and ready to go. Ponzi could have taken sanctuary in Benito Mussolini’s Italy, kept a low profile and enjoyed easy access to a Swiss Bank account but he chose to stay and take personal responsibility.

Some people you just can’t understand. Charles Ponzi went down with the ship to make sure that nothing would implicate his innocent wife who returned the favor by abandoning him when he was sent into exile. That’s what Ponzi got for love – fourteen years of hard time. Even if you’re Italian, there is such a thing as being too romantic

Ponzi should have cast his noble sentiments to the wind and bailed. I simply can’t fathom the insanity of subjecting yourself to the permanent indignity of being housed with common criminals. When things go seriously wrong, you should always be prepared to scam.

I’ll say this for Ponzi. Before he was the object of the vilest contempt, Ponzi was a source of joy to thousands of butchers and bakers, widows and spinsters, day laborers, well-off farmers and gentlemen living off of family trust funds. Any investor that wanted to redeem their money could walk up and ask Charles Ponzi for their cash back and Ponzi would honor his promise until he could no longer honor any promise. But let it never be said that Ponzi didn’t make the entire city of Boston giddy with hopes of a short path to unfathomable riches.

Ponzi’s real genius was his ability to market his worthless securities to tens of thousands of retail investors through a chain of regional offices. He even managed to buy a bank to facilitate small investor access to his very unique and very worthless securities. While he was at it, he used the bank’s deposits to ‘invest’ in his scam. Quite an accomplishment for an ex-con who started out hustling his securities on a Boston street corner.

I’d never heard of Madoff until he was busted. I was done with my scam by then. When I heard he stole from charities, I was outraged. I grew up the son a pastor and stealing from the donation box is simply beneath contempt.

My feelings towards Ponzi are much more nuanced. Just because two men pull off a Ponzi scam doesn’t mean they’re both Charles Ponzi. A heart that cannot forgive Ponzi never had any forgiveness to give. Ponzi was an endearing man with a dreary past who was carried away by the delirious dreams of splendid fortunes. Madoff was just a psycho.

Ponzi and Madoff had no legitimate economic activity and both scams couldn't get around the burn rate problem because there is simply no way of getting around it. The best you can do is tame the burn rate and delay the day of wreaking.

The thing that disturbs me the most is that neither Madoff nor Ponzi had getaway plans. Madoff was arrogant enough to make an actuarial determination that he didn't need a getaway plan. As for Ponzi, he was just a fool in love with the woman of his dreams. He wanted to be near her for as long as he could be near her. Very touching, maybe even edifying and absolutely crazy.

One thing I never did was sell my company's securities directly to shareholders. I only had to pick the pockets of a handful of Wall Street investment bankers, Greenwich hedge managers and a Los Angeles commercial bank that caters to the financial needs of the Chinese community in Southern California. To sell shares wholesale to those kind of clients, you need a real business. It doesn't have to be legitimate but it has to be ever so real.

Madoff and Ponzi sold their financial products directly to a targeted market of investors. They pretty much sold one kind of product and were personally liable for redemptions while the money lasted. I don't do redemptions. I engage in complex multi-million dollar deals with bankers and lawyers which end up eliminating the need to make any redemptions.

Borrowing from Commercial Banks

You can't just barge into a commercial bank office and solicit a ten million dollar loan. First, you need to build a relationship and, no matter how much they like you, they still want a lien on your collateral. If you're a small start-up business, they expect you to put everything on the line – including your house and everything your company owns.

When a company borrows from a commercial banker, they borrow on the strength of their books. So you have to have convincing documents in your hand before you ever think of approaching a commercial banker for a loan. You have to sell your banker one compelling story spelled out in dollars that leaves him with no doubt that your company is good for the loan and an equally compelling story for why the company needs to borrow money and how the company intends to put the loan proceeds to profitable use.

If you can't get a customer's attention, you can't sell anything. Once you get a little attention, your primary task as a salesman is to alter your client's perception. In the securities fraud industry, nothing alters perception like numbers.

Let me loose with numbers and lend me your bad ear and I can draw you a hologram that's very compelling. In fact, I can draw you a hologram of a thriving multi-national American corporation based in Tempe, Arizona with operations in Los Angeles, Hong Kong, Taiwan, China and Singapore – a company that produces televisions that are going off the shelves at Circuit City – a

company with a product line that is prominently advertised on ESPN – a company with strategic partners in Taiwan and distributors in Asia, Brazil and Japan – a company that is gearing up to meet the expectations of huge Black Friday sales at Big Box retailers – a company with an exponential record of growth that was looking to expand production capacity – a company with a supply chain competitive advantage and a record of meeting or exceeding market expectations.

To play by Hong Kong Rules, you have to be able to converse with bankers and that means you have to be conversant in their language – a language you must master – a language constructed out of numbers and different legal meanings for each of those numbers. There must never be any doubt about the integrity of those numbers.

The bankers didn't buy those numbers from James Li, they bought them from our independent auditors and they verified their authenticity by reviewing our filings with the Security and Exchange Commission. They did their due diligence by examining audited certified corporate reports prepared by competent accounting professionals. I was just a senior executive with a small stake in the company. I was the nuts and bolts guy who kept the operation humming and was responsible for building the Olevia Brand name.

I never had to pitch that corporate hologram to a single investor. I'm not a circus barker and, when I need promotion, I hire public relations firms and corporate image consultants. Then I give them the same numbers I give to everybody else – certified audited numbers.

My company never paid out a dime in dividends. That's not what investors come looking for in a raging Bull Market. Nobody wanted to be in a safe stock that paid dividends – the good times were just starting and investors were drooling for a piece of a promising IPO. It was the perfect season to market a corporate hologram.

My job from start to finish was to build a durable hologram – which essentially meant making the numbers work all the way past the company's Chief Financial Officer, independent auditors, the Securities and Exchange Commission, the IRS, commercial bankers, investment bankers, Wall Street analysts, institutional investors, Greenwich hedge fund sharks and some judge in Delaware.

The difference between commercial bankers and investment bankers is that you have to pay the commercial bankers back and you have to pay them back with interest plus an indecent amount of fees. And if you don't pay them back on time, they'll show very little patience and stick you with punitive fees and penalties and if you still won't pay, they'll take control of the remaining corporate assets to satisfy the loan and force the company to declare bankruptcy. If you have no assets, or if your corporate assets don't match the assets you borrowed money on, you've just committed bank fraud.

Fortunately, investment bankers are an entirely different breed of financiers. They rarely ask you for their money back because it's just not done and it's not their money. They just agree to act as wholesale brokers for your company's shares and take their commission upfront from their big clients. They play the role a middleman between your company and any member of the public who wants to buy your company's shares.

The only skin investment bankers have on the line is their reputation, especially their reputation among their most favored and wealthiest clients – mutual funds, pension funds and other institutional players like billion dollar private trusts. It goes without saying that they don't like to burn those kind of clients. You burn sophisticated clients once too many times and they'll stop buying your poison. On Wall Street, sophisticated clients never get bit twice; they ditch you and then they sue you. Like everybody else, investment bankers have to keep their clients happy and that means making sure their clients don't lose money. Back in 2007, almost any IPO made money out the gate.

There is no defying natural economic gravity. When you sell something wholesale you have to sell it below the retail price. And the distributors that buy at the wholesale price have to be reasonably assured that they can get a profitable retail price. The only way an investment banker will write you a check is if he thinks you will give him a wholesale price on your company's shares that will give reasonable assurance to his big clients that they are getting a fantastic deal.

Once you get the numbers to work for the bankers, the little guys buying your company's shares will live and die by those numbers. Not that you'll ever have to deal the little guys. They're just collateral damage. Aside from ending up as the ultimate bag holders, they don't play much of a role in this plot. The most compelling thing about Hong Kong Rules, is that shareholders are left with no legal avenue of recovery or redemption. They just have to endure their fate the best they can. They get caught in the whirlwind and have no option but to walk away empty-handed scratching their heads and swallowing their losses and their pride.

Fabricating Your Numbers

The obvious and most fatal flaw of an old school Ponzi scam is that they have no real business and no economic activity. Hong Rules correct that flaw the only way it can be corrected - by building a Potemkin corporation – a real business edifice with real profitable sales and real expenses and completely fabricated numbers.

Once you create a business entity, the only thing that investors and bankers look for is the numbers. They want your sales numbers, they want your profit numbers and they want guidance on what the numbers will be a year from now. And they can readily verify those numbers by looking over your books and records.

You have to be very careful and extremely precise with the numbers in your books. The numbers have to be plausible and the numbers must be good enough to pass the auditors and regulators.

You can't just pull numbers out of thin air. The numbers you report today will be different than the numbers you report three months from now. And whether the numbers are good or bad, up or down, there must be a plausible explanation backed by adequate documentation to explain why the numbers changed.

Take the most basic and essential securities fraud hat trick – inflating sales. All that takes is forging invoices and handing them to your accounting department as proof of legitimate sales. Now if you're in a cash and carry business, you would also be obliged to put the money in the cash register. But if you're selling TVs on credit, you just report the sales and book a receivable. In the eyes of the law, that receivable is as good as cash. It gets reported on the company's income statement and it gets reported as a corporate asset on your balance sheet. In the arcane lingo of the accounting profession, receivables are cash equivalents every bit as valid as the company's inventories and cash on hand.

I happen to know, in very great detail, what legal wholesale contracts and shipping documents look like because I used to be the International Procurement manager for Gateway. It gave me the deep expertise that I applied to forging authentic-looking international shipping and sales documents, letters of credit, ship manifests and purchase and sales agreements.

Once I was done with that hat trick, I had to get my forgeries past the company's financial officers and independent auditors. In the unlikely case that an auditor raised questions, they were free to verify the sale with my clients. If the client was fictional, I was busted. If the client was real but denied he purchased anything or disputed the size of the sale, I was busted.

The phantom customers for your product have to be willing to play along and posture as legitimate buyers to confirm the fictional sale. Of course, the buyer who confirms the sale has to be in on the scam. I'll tell you more about Thomas Chow later on. He is a man who wears many hats and wears them as well as an Englishman. In any case, once my Hong Kong client confirmed the sale and agreed to pay on credit, that sale became very real and was reported on the company's financial statements as a done deal.

After the bogus sales numbers were confirmed, I was free to translate the sales into the kind of numbers that dazzle investors. Among other things, growing receivables allows you to inflate the assets of the company. Once I got past the auditors, my lawyers certified the numbers and presented them to the authorities, the Securities and Exchange Commission and the IRS. When I started paying taxes on the profit I was supposedly making, Uncle Sam was happy to accept my check. Nothing appears more legitimate than a profitable tax-paying enterprise.

Over the course of 950 days, I cooked my company's books and reported over 400 million dollars of bogus sales. Half a billion dollars of cash-equivalents can readily be converted into cash – but you have to pay transaction fees along the way – mostly to bankers, Mergers and Acquisition lawyers and hedge funds. Those services don't come cheap but it is entirely impossible to navigate the Securities Fraud Industry without paying tolls along the way.

Putting Together a Realistic Business Plan

The first problem with Ponzi scams is that they have no real business. The simple solution is to set up a real business that has tangible bones and prospects of thriving in a lucrative market sector.

Any venture, legal or illegal, requires start-up money. If you've got a plan to steal a billion dollars, you can't execute it out of your mother's basement. It can't be just any business. It has to be a business where you can claim some sort of advantage over competitors. In my case, I chose the HDTV business and I'll tell you why.

The only way to pry people away from their TVs is to offer them a better TV at an irresistible price. Back in 2004, the HDTV was a rather exotic product – expensive but ever so enticing. The entire sector was attractive to investors because the single most important consumer product in human history was in the early stages of a major technological revolution. If you had a business plan for a product that could compete in such a promising industry, getting the attention of bankers and investors would depend entirely on their assessments of your future prospects and the current state of your finances.

I can still take a HDTV apart and reassemble it in two or three hours. I know where and how every component is manufactured, how many pixels are on a particular screen and the intricate circuits and programming that go into manufacturing a state of the art HDTV. Give me a week and a few blank pages and I can produce a detailed blue print of an HDTV remote control down to the elegant design and the superb functionality and I can draw you up a business plan on where to source the parts and how much it would cost to produce a single unit and how to sell it wholesale.

I started out in 2004 by setting up an import business in the City of Industry, a suburb of Los Angeles. At first the business was focused on distributing HDTVs produced by Kolin, a manufacturer in Taiwan. Part of my mission was to create a competitive brand name in the North American market for Kolin manufactured Olevia HDTVs. That's not an easy thing to do when you're going up against Sony, Sharp and Samsung.

Setting up an import business is a no-brainer. You import the product, you find distributors who will put your product on their shelves and you set up a competent customer service operation to honor your warranties.

So right off the bat, you need offices, warehouses and some kind of operation to handle defective or returned merchandise. In other words, you need a few million just to turn the lights on. I didn't have that kind of money but Thomas Chow did. I threw in virtually every dime I had and we formed a privately held California corporation to distribute Kolin HDTVs under the Olevia brand name. The corporation's majority owners were Thomas Chow, Cristopher Liu, your humble scribe and a few people I will not mention. I'm not shy about naming names but too many names would only complicate the story without shedding any significant rays of light.

Learn to Share

Stealing a billion dollars is the easy part. The trick is to keep the money and, unfortunately, you can't keep it all. You have to learn to share a billion before you steal a billion. So long as everybody gets their fair share, they'll look the other way and play along.

One common trait I share with Ponzi and Madoff is ability to size up just about anybody. You don't need to know everything about them – just enough to accurately assess the incentives they respond to. Money, of course, is the ultimate incentive. The vast majority of the human race craves money more than they crave oxygen. Unlike fresh air, money is rarely taken for granted.

Think about it. People all over the world get up in the morning have breakfast and step out into the world to make money. The poor struggle to be well-off, the well-off dream of getting rich and the rich just want to get richer. Even when they die, people want to leave a little something to ease the burdens of the near and dear they leave behind. And after they die, brother turns against brother to get a bigger slice of papa's estate. It's the human condition. Money motivates and more money motivates more people to do more things that they wouldn't ordinarily be inclined to do.

Spreading money around does not come naturally to me. There is always an appropriate occasion to splurge but serious money should be handled with the utmost respect. I never quite got accustomed to signing multi-million dollar checks for legal fees or the services of investment bankers and I still cast an envious eye on the portions I served my partners.

In some circumstances, money isn't sufficiently appreciated. So aside from generously rewarding sealed lips and lazy eyes, you need to incriminate other people – important people – the more the merrier – the bigger the better. That's the ultimate insurance policy. Grease enough palms with money and taint enough hands with blood and you can get away with murder. If you can throw your bankers, underwriters, auditors, lawyers, regulators and judges under the bus, you get to drive the bus away with a full tank.

By the time my partners and I distributed money to the right people, we managed to walk away with nearly a billion dollars. We're safe and we're free and I am satisfied that, given the circumstances, we got to keep our fair share.

I can't even give you a precise figure of how much money was stolen, a lot of it was stolen 'legally.' That means it was appropriated by other financial vultures via sophisticated securities transactions that I had nothing to do with. They were in on the scam and I gave them a license to steal and never expected a dime in return. They took care of their side of the business and I took care of my side of the business and we both understood the rules of the game. They used me and I used them and everybody walked away with other people's money in their pockets. I wasn't doing them a favor and those Merrill Lynch Investment Bankers and Goldman Sachs pros knew I wasn't running a charity. We were just sophisticated parties doing business and getting fair consideration for being so adept with numbers.

Distributing Your Product

Before you ever get around to booking fictional sales, you need to have real verifiable sales on the book. That takes hard work, management skills, a competent staff and excellent products and it requires real customers that pay their bills on time.

I wasn't in the business of selling snowflakes. My company sold great HDTVs which came with the best warranties in the industry and we sold them for a price that none of our competitors could match.

HDTV manufacturers don't sell directly to their customers. They sell to purchasing managers at Best Buy and Target and Circuit City. Once you get a few purchasing managers to take a chance on your products, the rest is logistics and marketing.

Purchasing managers are some of the toughest people you ever have to deal with. They expect 100% performance every time - all the time – no exceptions or excuses. They want the best price for their customers and they want a healthy profit margin on every sale. If your product brings in customer complaints or you won't honor your warranties or can't keep your products on the shelf, they won't just dump your brand, you'll get black listed and you'll never sign another distribution contract with a major retailer. Word gets around and if it is not circulated by other purchase managers, your competitors will be glad to ignite the rumor mill.

Purchasing managers know how to size you up. They know or think they know your business plan. If you're the new kid on the block, they figure you want to create a brand name and they know you need them more than they need you. If you want shelf space on their showroom, be prepared to pay the rent because the only way they're going to sign on the dotted line is when they see dollar figures - which mean a guaranteed healthy profit margin on every unit they sell. You will get squeezed and chances are you'll lose money every time you sell a TV.

Once I landed a deal with Circuit City, I had real verifiable sales with a real customer. The Circuit City deal led to similar deals with other big-box retailers. Office Depot, Kmart and Target would soon sign up. Every one of those deals was a money losing transaction. But my Olevia TVs were on the shelf for everybody to see – including investors and bankers. I had set up a real company with real products and was in the process of creating a brand name that would get instant consumer recognition.

On February 12, 2007, my company, Syntax-Brillian, was featured in a New York Times article by Damon Darlin. The eye-catching headline told the whole story “The No-Name Brand behind the Latest Flat-Panel Price War.”

My company’s Olevia LCD TVs were taking the market by storm and unleashing a price war. The NYT article reported that “The Olevia brand outsold Sony and other brands while they lasted. That forced the premium brands to lower prices throughout the holiday season and take notice of the upstart from Tempe, Ariz. Viewers of ESPN’s high definition cable channels and other media outlets are more familiar with the brand after a spate of advertising. Consumer Reports magazine recently rated an Olevia a best buy, along with a Sony.”

The article also noted that “Syntax has attracted the interest of investors because it is the only publicly traded TV-focused company in the United States. Its shares shot up from \$2.02 in May to a 52-week high of \$11.70 in early January. The company is in hyper-growth mode. That’s a good problem to have.”

I am getting a head of myself here. But I just want to emphasize that at all times I ran a real business - a money losing real business that had a very well calibrated burn rate. The other point I want to make is that by the time the New York Times article came out, I was already half way home.

I knew upfront that my company would end up losing millions on the Circuit City and Target deals. In the great scheme of things, it was just the cost of doing business that was duly factored into our burn rate.

It didn’t matter how much money I lost on the Big Box deals with Circuit City and other retail giants. My man at Kolin, Christopher Liu, would help me make every sale a profitable transaction. Like Thomas Chow, Christopher Liu knew all the secret of the inner sanctum. As the CEO of Kolin, there was no need to explain to him the need to spend a few million dollars to facilitate the perfect securities fraud scam.

Building and sustaining an enterprise with some kind of real business activity is an essential requirement of executing the perfect Billion dollar heist. That one good leg was built to convince investors that Olevia products could hit the ball out of the park in the North American Market.

At the right price, any company can increase sales but, if those sales don’t make healthy profit margins, investors will run for the fire escapes. Christopher had the means to finance the good

leg and make it look financially healthy. If my company lost \$200 dollars on an Olevia TV, Kolin would write me a check for \$500 to make up for the loss and allow me to book a profitable sale. Think of it as a rebate on every set I sold. That Kolin rebate made our company's books look as good as gold.

Getting a Commercial Bank Loan

Once we had solid verifiable profitable North American sales and invoices from Circuit City and Target, our American numbers were not only good, they were sturdy enough to pass the most rigorous audit. The North American sales numbers were not something I ever worried about. They were always real numbers based on real sales to well-established Big Box distributors.

The only thing wrong with them was that the profit margins were artificially inflated by the rebate subsidies from Kolin. Christopher Liu was eating the loss to help me stand-up the one good leg. The one thing you need to know about Liu and Kolin is that they were at once our largest suppliers and they also held the single largest block of shares in our company. Because of their large stake in our enterprise, Christopher Liu had a seat on our Board of Directors.

Of course, if you're losing money on each sale you end up with a serious burn rate problem. Not only were we losing money on every sale, we were selling our Olevia TVs on credit. We needed a lot of money to finance our operation and we needed to make it look like we were operating a tax-paying profitable private company that was developing a formidable brand in an exciting new business.

So the immediate problem was how to get financing. We turned to Preferred Bank - a small ten branch commercial bank that caters to the Asian-American community in Southern California. We started out in Nov 2004 by securing 3.75 million loan agreement guaranteed by our personal property and assets. In addition, Preferred Bank extended us a credit line to finance the receivables from our fictional Asian sales. Every one of those Asian sales transaction was nothing more than ink on paper. The only real clients we ever had were Target and Circuit City and other electronics retailers in the United States and Canada.

Our certified financial statements told a tale of two markets – both profitable. The secret of the inner sanctuary allowed us to fabricate a whole book of numbers for our 'sizzling' sales in Asia. The Book of Asian Numbers was a fictional account of massive sales to SCHOT, a single distributor in Hong Kong. When the need arose, we created other shell corporations to convince the auditors that we had multiple clients in Asia.

A warning before we move forward. Every California registered corporation is obliged to have their books audited and certified and reported to the state regulators in Sacramento. And you also have to get past your independent auditor and the IRS before you ever get invited to a reception with a commercial banker. So by the time you ink a deal with a sophisticated banker,

you would have violated a few serious California State and Federal Laws before you even made a first appointment with a loan officer.

To close on my first loan deal with Preferred Bank, I had to put up my house as collateral along with a cash deposit from Christopher Liu and Thomas Chow. Now look what the bank had in its hand – cash collateral and a house; which meant they had no risk. And I had to pay some real fat fees for the privilege of closing the deal. But there was a part of the deal that was very attractive, a credit line to finance the company's phantom Asian sales.

Eventually, Preferred Bank would refinance the loans in my company's name, Syntax Corporation. Once they released the lien of my house and my personal accounts, I was no longer personally liable to Preferred Bank. It is essential to shed liability as you move through the process until all legal liabilities are completely eliminated.

Any real business has money coming in and money going out. At this stage of the game, I had built a business where money was coming in from North American sales and the Preferred Bank loans and credit lines.

The money I borrowed from Preferred Bank kept my company above water. Whatever was left-after covering losses on our North American Sales was sent to our "strategic suppliers" in Asia to purchase parts. Most of the purchase orders and remittances to suppliers were as fake as our sales documents. It was just a very convenient and elegant way to embezzle corporate assets and offshore the proceeds to my partners in Taiwan.

"Our Strategic Suppliers" were Taiwanese entities and affiliates in Hong Kong and Singapore. One way or the other, all our suppliers were affiliated to Kolin, Christopher Liu's company. One of those Kolin affiliates was TCV, an independent privately held manufacturing conglomerate owned by the Wu Clan. The Wu Clan had a gift for fading into the background but they also have a way of showing up at critical points in the plot. Did the Wu Clan also know the Secret of the Inner Sanctum? You will know them by their deeds.

So real money was coming in from Preferred Bank and going out for fake supplies for parts supposedly purchased from our strategic supply partners, which means big fat checks were wired to Christopher Liu. As required, Christopher Liu would send back some "price protection rebate" plus enough money to pay down the past-due Asian receivables. That more than took care of our burn rate.

To neutralize the effect of having to make payments to Preferred Bank, we borrowed more money from Preferred Bank. One loan paid off another loan. And the new loan was paid off using our Preferred Bank credit lines. And then we would take a bigger Preferred Bank loan to pay down our credit lines and finance our growth.

Our business relationship with Preferred Bank lasted for three years. It's actually a quaint American success story about an ambitious Chinese-American manufacturer who reaches out to

a local ten-branch commercial bank and puts his house and life savings on the line to build a multinational business. I started out with getting \$3.75 million loan secured by everything I owned including the shirt on my back. I would go on to borrow \$80 million secured by SBC's golden quarterly numbers. We not only had the burn rate under control, we had two long years to systematically inflate our sales and our assets while selling millions of shares and engaging in a little stock manipulation on the side. Preferred Bank was the golden goose that just kept on giving and allowed us to sell our most profitable commodity – our shares.

Remember what I said about commercial bankers. Well, let's just say that you have to pay back Taiwanese commercial bankers with a greater sense of urgency. That means paying back on time with interest and fees and no allowances or excuses.

Preferred Banks did not buy our shares – they lent us money based on our collateral. In the case of SBC, half the collateral was made up of my forgeries. The “Asian receivables” were just a number, one among many, but they were the one essential number that ever really mattered. I knew those Asian receivables were just a figment of my imagination. Barring an unforeseen catastrophe, Preferred Bank never had to know.

As you execute a Hong Kong Rules Ponzi scam, you always have to know where you stand at any given moment. From the moment I forged the sales documents, I was a forger. Once you've forged a document and passed it off for the real thing – you're a forger. Unless your forgeries always pass detection, forgery lands you in jail. I was very risk averse and the only reason I was willing to engage in forgery was because I'd found ways to make certain that nobody ever questioned my masterpieces.

Back to my legal standing. From the moment I applied for a Preferred Bank loan, I had violated California State forgery and banking fraud statutes and taken the risk of being indicted for a dozen felonies. Even if I managed to jump ship and make a safe landing in Hong Kong, there would be no preventing law enforcement from launching a massive investigation.

I had the burn rate under control by borrowing money on forged documents but Preferred Bank would eventually have to be paid back and in full. The loans served their purpose well. We had two years to figure out how to pay the bank back for their valuable services.

There was another reason we had to pay off Preferred Bank; their loan officers were part of our social circle. Their kids went to the same schools as my kids. Our families in Taipei were well acquainted. It would have been a scandal and they would have chased me all the way back to Hong Kong or Taipei or Macao. Rule Number One is “always pay your bankers.”

Setting up an Assembly line

No matter how good your product is, investors and bankers aren't going to pour hundreds of millions in a money-losing import operation marketing HDTVs produced by a Taiwan based entity that has its own financial problems. Anybody familiar with the HDTV business would look over our books, immediately notice the price protection rebate from Kolin and conclude that if Kolin ever stopped those subsidies we would lose our shirt on every TV that went out the door. We had to rebrand Syntax from being just an importer and distributor of Kolin HDTVs and we did it by setting up a light assembly line.

To qualify as a manufacturer, some of the light assembly work and boxing was done in a warehouse we set up in the City of industry. To cut down on expenses, we outsourced the assembly work to Solar Link, a company that had once shared our work space and was part of our operation before we spun it off. That spinoff hardly went noticed. But it played a very important part in building the corporate hologram because as you execute your plan, you always need to compartmentalize the entities with real value and put them in the custody of a separate private corporation.

That spinoff basically took the profitable assembly part of our operation and set it up as a completely independent stand-alone company. All Syntax was left with was a contract to outsource the assembly line operations to Solar Link which obliged Solar Link's employees to work under Kolin's supervisors. Here you should start noticing how deeply Kolin was involved in executing this billion dollar heist and you'll see how this all comes together in the end. But just remember that Solar Link was spun off before the SBC merger between Brillian and Syntax. Solar Link was now a legally autonomous vendor. We paid them money for their services and the money was more than enough to keep them profitable as a stand-alone privately held corporation.

None of the major HDTV brands manufactured their products in the United States. Most of the HDTVs you see on the market are manufactured and assembled in Taiwan and South Korea. The idea of producing HDTVs in America by American workers on assembly lines owned and operated by an American start-up was sure to garner attention from investors. As you can see from the New York Times article, my little company had the giants of the industry reviewing their pricing models. Even the big multinationals like SONY were scratching their heads at how quickly our Olevia branded TVs had attracted the interest of consumers.

The story we put out to investors was that we were a lean mean fighting machine that had an Asian supply chain that allowed us to beat the competition and bring back assembly line jobs to America. We had strategic alliances with Kolin, TCV and other Asian entities who were fully vested in the Olevia brand and committed to our success. Our supply chain partners would enhance SBC's ability to deliver a premium product at very competitive prices.

Rebranding Syntax and spinning off Solar Link didn't make us profitable. The reality is that we still had a business plan that had a completely unsustainable burn rate. A business operation that loses a few hundred on every HDTV is a sure path to bankruptcy but that was always going to be the final destination.

The fine Art of Forging Invoices

Forging invoices requires nothing more than driving to an Office Depot and order some custom pre-printed invoices with the company logo. And if you're really gifted, you can always save gas by designing your own custom invoices on a personal computer.

Forging Domestic sales invoices and purchase orders can easily land you in hot water. It was just too risky. So we forged foreign invoices and purchase orders purporting to be sales to Asian distributors. Over a period of three years, we forged invoices and other sales documents that inflated our sales by \$400 million dollars. Virtually all those fake sales were allegedly transacted with SCHOT and a few other distributors in Hong Kong. We forged sales documents before the merger and we kept forging them until we couldn't forge them anymore.

A forged invoice for a multi-million dollar sale to a reliable client in Hong Kong will raise a lot of eyebrows unless it comes with proper documentation. I knew exactly what that proper documentation was supposed to look like. The thing that made my forged invoices look authentic is the customs stamps on the shipping documents. All I needed was legal samples and I let Photo Shop do the rest.

My forgeries looked so authentic that there could be no question that the products were manufactured and delivered to a client in Hong Kong who accepted delivery on terms that were agreeable to both parties. Goods had been delivered, accepted and some were eventually paid for.

For a few quarters we forged SCHOT sales documents at a very measured pace. SCHOT was private Hong Kong partnership nominally directed by Stanley Chan who was, conveniently enough, a partner of Thomas Chow and Christopher Liu.

SCHOT wasn't exactly a shell company. It had offices – a drab suite in a residential/commercial Hong Kong neighborhood. The ground floor of the building was a warehouse. It wasn't our warehouse and we didn't rent it but it was always there if we ever needed to show off some inventory.

Basically, we set up SCHOT as our main Asian distributor for our Olevia branded HDTVs. To pump up sales, we would forge the sales documents. SCHOT would confirm the sale and, in the beginning, make payments on the sale with a 120 day credit line.

I want to stop here and explain why 120 day credit line is important. Keep in mind these are fictitious sales. So we had the option to choose when to book them on our internal accounting

system. The most ideal time was at the end of the quarter. That way, SCHOT could skip the next quarter without having to make good on the payment. So say a receivable was booked on March 20th. You close the books on the Quarter on March 31. SCHOT would have until July 20th to pay. Nobody would think anything of seeing a SCHOT receivable still on the books for the April 1st to June 30th Quarter. In the meantime, we would go back to Preferred Bank and borrow more money on the strength of our inflated balance sheet.

The fictitious sales to SCHOT didn't directly bring any money in. In fact, we had to burn a lot of money to make it look like SCHOT was a client that paid their bills on time. Over the span of two years, SCHOT eventually gained the reputation of being a reliable client. That meant that SCHOT would actually send Syntax checks – big checks signed by Stanley Chan, a front man for Thomas Chow and Christopher Liu.

The Asian sales figures allowed us to borrow from Preferred Bank and illicitly convey the proceeds of the loan to Christopher Liu in Taiwan. Christopher Liu would then use some of it to send SBC a rebate check that helped us miraculously convert the losses on our North American operation to spectacular profit margins. Christopher Liu would also send another check to Thomas Chow and SCHOT would make a payment to cover the forged invoices and keep its accounts current.

Life is a cash flow problem. On the books, we now had cash flowing in from four sources, our North American sales, our fake Asian sales, the Kolin wholesale rebate, and the Preferred Bank Loan. And we had money going out for overhead expenses, including very generous salaries and perks for the officers and directors of the company. And we also had to pay our suppliers for the components we were using to assemble our products in the City of Industry.

We were not only covering the burn rate; on paper, we were making spectacular profits on every TV we sold. This allowed us to not only exaggerate our sales but gave us a legal reason for illicitly conveying millions of dollars to my partners in Taiwan and Hong Kong.

For three years, we forged SCHOT sales documents and cooked up sales numbers and literally took them to the bank. Preferred Bank was happy to loan us cash on the basis of those fake numbers as long as we kept paying on time. And the way we made our payment on time was to borrow even more money from the bank based on more forged shipping documents.

As you can readily see, there is no money in forging documents and booking them as receivables. Syntax was always a money losing operation because its only real business was selling Olevia branded HDTVs at a loss to Circuit City and a few other domestic big box distributors.

To justify our need to borrow more money and to demonstrate how low risk we were, we would simply point to our assets and our book value and how we were delivering on our business plan. The basic narrative our corporate books told was that our sales were growing at an exponential rate and we had to finance our supply chain and provide credit to our clients. Our business was

growing faster than anticipated. That's the line you feed the commercial banker and when you show him the audited certified quarterly statements that were filed with the Securities and Exchange Commission, he knows your numbers must be good. Once you synchronize your numbers with your story line and once you've already proven that you can meet your debt obligations, it's not difficult to persuade a commercial banker to write you even bigger checks.

The more fictitious SCHOT sales we booked, the more we were allowed to borrow from Preferred Bank. By this simple accounting scheme we were able to substantially and artificially inflate the assets of the company and the profits of the company while simultaneously siphoning money to my partners in Hong Kong and Taiwan. The increased sales in Asia also allowed us to project an image of a profitable multinational manufacturer and global distributor of HDTVs. And the most immediate benefit was that we were using the bank's money to handle our burn rate problem.

Avoiding Red Flags

The one thing you never want to do as a public company is raise red flags. Before the merger that created SBC, the only party that had any cause to raise a red flag was Preferred Bank, our only creditor. As long as they didn't ring any alarm bells, the only other party that concerned me was the independent auditors. You should always hire the best lawyers and the worst auditors. Not only are bad auditors cheap, they're willing to look the other way and give you a few breaks if you show them appropriate consideration.

The forged documents that I used to pull off my scam were like hot potatoes coming out of a burning oven. I passed those hot potatoes around until everybody forgot that I had an oven.

I could not possibly have pulled the Syntax hoax on my own. I didn't have any way to finance an enterprise of that scale as an individual proprietor. I needed partners and from day one, I chose them carefully. And that ones that I didn't choose were chosen by Thomas Chow and Christopher Liu at Kolin or by the Wu Clan. Every member of the inner sanctum had to play their role to perfection and they had to keep a tight lid on the forgeries and the fake sales to the bitter end.

There is an important legal point to make here. At this stage of the game, Syntax was a private company; Syntax was responsible for the Preferred Bank loan. I was just a very critical employee – an officer and director with a vested interest in the company. But I was no longer legally responsible for the Preferred Bank loan and they took off the bank liens on my personal property, including my house.

This might amuse you. I named my company Syntax because I thought I was just imposing a 'Sin Tax' on Wall Street. I never really thought I would hurt anybody.

Don't Screw Your Bankers

From day one, we knew that Syntax would grow rapidly, go public, take a swan dive, land in bankruptcy court and emerge as a restructured privately held company. That's the basic lifecycle of the perfect securities fraud scam.

As I explained above, we had solved our burn rate problem and inflated the performance of our operations by borrowing from Preferred Bank. The thing about bankers is that they expect you to pay off your loans. If you want to steal a billion dollars and get away with it, don't even think of screwing with your bank.

Cooking the books is where you start. All you need for that is Adobe Software, an ink jet printer and a tall tale. The task can seem somewhat daunting because with each forgery there has to be a plausible story line. That's where talent and flawless execution comes into play.

Anybody can log on to their computer and print out shipping documents, invoices and purchase orders. Anybody can take those fake documents and inflate a company's sales by \$400 million. And it doesn't take a genius to get a loan from a bank based on audited and certified confirmed sales and account receivables.

But, like I said, the bankers want their money back. So you pay them from the proceeds of more and bigger loans from the bank. That works for a while but then you end up with a huge bank loan secured by nothing more than forged sales documents. Trust me – if you try to bail out, the bank will quickly zero in on those fictional sales. If you're not on a plane to Hong Kong by the time they figure out your racket, you'll end up sharing living quarters with Madoff. Defrauding banks is a sure path to incarceration.

To avoid such a dreadful fate, we went public. While banking fraud is suicidal, securities fraud is quite another matter. It's a gentleman's crime and gentlemen never do time. Among those engaged in the Securities Fraud Industry, it is an article of faith.

The Lay of the Land

My confession should not be mistaken for an instruction manual for how to steal a billion dollars. It is just a brief account of my successful encounters with the upper crust of the Securities Fraud Industry.

If you've never heard of the Securities Fraud Industry, it's because it is barely recognizable to the untrained eye. On Wall Street, it blends in nicely with its very legitimate surroundings. Nobody is going to hand you a map or a blue print to figure out the lay of the land. But once you get one vivid snapshot, you'll have the courage and faith to transact business with like-minded people – the kind of people who understand the unwritten rules without ever hearing so much as a partial recital.

If you choose to stay and play, If you play well with others and learn to share, you will be handsomely compensated with great wealth and the social status that can only be acquired with a great deal of money.

If you're conflicted, the financial fraud games will go on. If you decide to look away, the games will still go on. And if you complain, you will be no more than a barking dog. The caravan will move on and your bark will fade in the wind.

The Securities Fraud Industry has evolved into an institution with a unique and fast changing topography populated by uber-sophisticated operatives. If you're going to fly and hunt below their radar, you need real stealth. To dodge your adversary's watchtowers, you need to know when your prey is immersed in self-induced comas.

The turf in the Securities Fraud Industry is durable. It was there before I stepped foot into the arena and it remained fertile ground for like-minded operators long after I and my partners walked away with a billion dollars.

You need to know all the animals out there in the financial jungle, especially the nocturnal creatures, the ones that have the confidence and sophistication to hunt in the dark. So it's always good to show up with night goggles. With the right lenses, you'll get a much better appreciation of the elegance of the design and the genius of the architects. For three years, I got to witness and rub shoulders with the landscape designers – the assorted masters of the universe that dominate the Securities Fraud Industry. The first thing you need to know about the lay of the land is the identity of the landscape designers – lawyers and bankers.

I am not asking for anybody's sympathies, but you're bound to agree that nobody pruned the hedges in the Securities Fraud Industry for the exclusive benefit of James Li. It wasn't James Li that designed the maze - it was all laid out long before I had a clue about what was going on. I was just a temporary guest who agreed to pay the entrance and exit fees.

I didn't scam the system. The system was a scam – a maze designed by lawyers and bankers, maintained by lawyers and bankers, best navigated with the assistance of lawyers and bankers and, when necessary, arbitrated by lawyers wearing the robes of a judge

Put aside egalitarian sentiments. This planet is not an egalitarian place and, frankly, I'm not a man who would voluntarily reside on an egalitarian planet. That's communism. Communism is drab, tedious and has the odor of sulfur. I'd rather be strapped in a straight-jacket than dress up in a Mao suit.

Once I figured out the lay of the land, I simply could not resist the temptation. I have already admitted to being a sinner. My greatest sin was succumbing to the temptation of achieving great wealth in a thousand days. I did it in 950 days.

My successful foray into the international Securities Fraud Industry made me a legend among a small group of acquaintances that participated in my profitable venture. The people around me respect me and I crave that respect. I went to America and came back with a whole lot of money for myself, my family and my best friends. I've taken care of the people that are closest to my heart. You might see me as a sinner; they celebrate me for being a good provider.

As you mix it up in the financial fraud jungle, half of your job is knowing how to hire and manage your lawyers. You will need lawyers who will defend you like comrades in arms. Lawyers are your confidantes, your plotters, your navigators, your Sherpa. They are your shields against calamities emanating from any quarter. Choose them well.

Not that anyone is ever going to chase you. The government doesn't care what you do. In fact, the government is your friend because the government is on the payroll - your lawyers' payroll. To be more precise, the government has been infiltrated by the giant legal firms that cater to guys like me. That's what people don't understand about America – it is a country run by lawyers for lawyers and their clients. If you get the right lawyers, you own the government. The first thing our lawyers did was to take us public.

Going Public

When investors think of a company going public, they usually assume that it involves an Initial Public Offering. That's one way to do it. But it can be a very expensive process even for legitimate companies and it has the disadvantage of exposing you to unnecessary scrutiny from the Securities and Exchange Commission.

Christopher Liu and Thomas Chow and I had created a private partnership that looked extremely promising – at least on paper. But Syntax was always on the edge of a sudden collapse. If Preferred Bank had cut off our credit line or reduced it, the whole scheme would have unraveled.

We would never have survived the scrutiny of our books. To go public, we had to merge with an American company that was already listed and already had the Holy Grail, a ticker symbol.

There is no better way of stealing a billion dollars than a ticker symbol. Give me a stock ticker symbol, let me polish it till it's the brightest sticker symbol in the financial skies and let the madness of the crowds take its natural course. If you can get enough financial adversaries to focus in on that ticker symbol, you can steal a billion dollars.

Since we didn't want to go through the formalities of getting a ticker symbol on our own, we could merge with an existing publicly traded company – preferably one managed by very cooperative, understanding and self-interested officers and directors. After making the appropriate inquiries, we ended up merging with Brillian – a company based in Tempe, Arizona.

Brillian was nothing more than a money losing shell on the verge of bankruptcy. It had no real sales and was still in the product development phase. We didn't care about their financials or their business. All we wanted was their ticker symbol.

The way we structured the deal was to make it look like Brillian was acquiring Syntax. They call that a reverse merger. Due to the merger we changed our name to Syntax-Brillian Corporation – SBC for short. Of course, we retained Brillian's stock symbol (BRLC) and continued to sell our HDTVs under the Olevia Brand name.

You always have to be in total control and the ultimate authority in any company is the Board of Directors. After the merger, I was appointed the Chief Operating Officer and my assignment was to continue developing the Olevia brand and to manage day-to-day operations. I also got a seat on the SBC Board of Directors.

Thomas Chow was appointed Chief Procurement Officer responsible for dealing with our suppliers – which basically meant coordinating his activities with Christopher Liu and the Wu Clan. Thomas Chow was also given a seat on the Board. Christopher Liu not only gets a seat on the Board but was on the Audit Committee. A few other Kolin executives also sat on the Board. The merger between Syntax and Brillian was a marriage of convenience. The Brillian executives operated out of their Tempe, Arizona offices which was now the nominal headquarters of SBC and Vincent Sollitto, the founder of Brillian, retained his position as CEO of the merged enterprise and was also Chairman of the Board.

Sollitto was the perfect front man – an ex-IBM executive with who knew the industry and could talk the talk and walk the walk. I'll leave it to readers to reach their own conclusions about Sollitto. I'll just tell give you a helpful hint; I didn't hire those Greenberg Traurig lawyers to represent SBC. Greenberg Traurig was already employed by Vincent Sollitto and Brillian prior to the merger.

The Proper use of Insider Information

The most valuable commodity in any securities market is insider information. You break securities laws every time you trade on insider information. The Securities and Exchange Commission is supposed to get you for that. That's the law but if you know the lay of the land, you know that for every rascal they bother collaring, a hundred walk away without so much as an investigation.

That said, we knew we couldn't just pump up our stock on inflated sales, turn around and sell our shares and just close shop. After all, the point of the entire exercise was to walk away with clean hands and as much laundered money as possible.

The only legitimate purpose of a publicly traded corporation is to make profits and distribute the money to shareholders. The only purpose of the corporate hologram I had created was to bilk

Wall Street. I want to emphasize that I honestly never thought I was stealing from ordinary people. In my mind, I was stealing from Wall Street investment bankers.

At the time I was operating my scam – 2005 to 2008 - all kinds of shenanigans were going on in the Securities Fraud Industry. Thomas Chow and I just ran a side show. SBC's stock symbol was no more fake than many others. Don't you ever believe them if they tell you what I did was a one off affair. Just off the top of my head, I can rattle off a dozens of companies who have executed similar reverse merger scams from the comfortable distance of Taiwan and Hong Kong.

Once word got around Hong Kong, everybody and his brother wanted to pull off a copy-cat heist. I see myself as a pioneer and I am satisfied that more than a few people in Hong Kong and Taiwan recognize the value of my contribution to the global Securities Fraud Industry. I am living proof that if you play by Hong Kong Rules, you can get away with stealing a billion dollars.

Cashing In on the ticker symbol

When you want to steal a billion dollars, the bright diamond in the sky is a ticker symbol. Give me a ticker symbol and give me a thousand days and I'll turn those four letters into a suction machine that rakes in a million dollars a day.

Looking back, it still amazes me how investors, even 'savvy investors' essentially buy ticker symbols. All I ever set out to do was to sell securities wholesale and do a little stock manipulation on the side. Once I had my ticker symbol, I set out to convince some pretty sharp investors to take their money out of IBM and Google and Microsoft and invest it all in SBC securities. That's not as difficult as you might imagine.

SBC had a rather simple business model. We set up a publicly traded company and then used it to solicit money from commercial banks, money center investment bankers and, ultimately, one of the sharpest and largest hedge funds in the country, Silver Point.

There are two ways for a public company to raise money – borrowing from banks and selling shares.

After we went public, we used secondary offerings and PIPE Transactions (Private Investments in Public Equity) to raise money. In plain English, we sold shares and then sold more shares. In less than three years, my partners and I managed to sell 93 million shares of SBC. All that money poured into our coffers and was just as quickly rerouted to the mother ship, Kolin. We justified the transfers to Taiwan as payment for components we used to manufacture our Olevia Branded HDTVs for our Asian distributors. The happy recipients of those transfers were the Taiwan and Singapore based suppliers controlled by Christopher Liu and the Wu Clan. I presided over that happy family and we all got our fair share.

At the time of the merger, my partners and I controlled 70% of the company's shares. One of my partners was a mysterious lady up in Vancouver, British Columbia. She owned a lot more shares than I did. You don't want to necessarily put everything in your name. Because the Vancouver lady was not an officer or director of the company, she could sell her shares without filing bothersome disclosures with the SEC.

I won't tell you exactly how much we made selling our own shares but we managed to dispose of our holdings prior to filing for bankruptcy. We sold the shares for an average north of six dollars. And we had 950 days to dump 93 million shares and manipulate the price by issuing false financials. You do the math. That doesn't even count the money we made from the pump and dump operation we ran on the side.

Our sophisticated trading techniques would confound the savviest investors. We deployed financial tool that would baffle most Harvard MBAs. We purchased puts, used program trading to paint the tape and had a pump and dump operation that left no trace.

Our attention to detail was vital to our success; so was our ability to keep a secret. I knew that the sales in Asia were all hocus-pocus. So did a few other people – my partners.

The value of insider information diminishes every time somebody gets in on the secret. And the ultimate secret was to know that I was forging invoices and shipping documents and inflating the company's sales on the quarterly filings with the SEC.

The focus of the Wall Street was now on my product-line and whether the company would be able to meet market demand. We let our Olevia HDTVs do all the talking and by the time that New York Times article was published, the Olevia brand had already captured 4% of the American market. What really excited the market was the possibility that our company had broken out of the pack and was about to create a gold-plated brand name - Olevia.

Now a 4% market share of the American TV market might not sound huge but until we landed the Circuit City deal, we were selling a no-name brand in a very low margin competitive TV market where I had to compete with 80 other no-name brands for shelf space at regional electronics stores. Make no mistake about, James Li built a real company that could navigate the lay of the land.

Navigating Shark Infested Waters

Sometime in the spring of 2007, a few Wall Street sharks started biting the tires and looking under the hood. They picked up a scent that something was terribly wrong but had no way of knowing anything about the forgeries. Maybe they were concerned about the fact that half of the company's assets were account receivables from a single client - SCHOT. I imagine they might have even done some snooping around in Taiwan and Hong Kong.

I had no idea who they were or what they knew – I just knew that they were fishing in my pond with an arsenal of very sophisticated trading tools. I could easily decipher their trading techniques and what initially alarmed me was that they were using trading tools that only be wielded by professional traders with very deep pockets. These operators were seasoned masters of their craft.

SBC was under a short attack by some very spooky anonymous investors. Believe it or not, I'm still not certain who they were although I have my suspicions.

At first, we were really angry that these uninvited partners were moving in our racket and compressing the price of our shares. But that anger quickly faded. After all, these anonymous Wall Street sharks could have reported their misgivings to the SEC or the Justice Department or gone to the press. But they were only interested in making a killing and sharing the spoils of our billion dollar venture. And they gave us an early warning that we need to wrap things up and execute our exit strategy.

To add to our worries, we didn't only have to deal with the sharks shorting our stocks – Preferred Bank was also getting jittery about their loan. By the spring of 2007, we were under constant pressure to pay down our Preferred credit line and I knew enough not to screw my bankers.

Practice Your Emergency Exit Plan

I was taking no chances. Once I realized the sharks were onto us, I started going to sleep with my passport in my pajama pocket. I kept a carry-on bag in the back seat of the company leased aqua blue Volvo – a practical vehicle for a serious corporate executive. My Gucci carry-on-bag was always carefully packed with the usual items you would expect to find in the business luggage of a CEO on a three day business trip – down to the carefully pressed shirts and new under-ware, toiletries and three pair of socks. The suit rack with Italian labels helps convey a certain image. When you're taking off for good, you don't want to leave the impression that you packed your bags in a hurry or that you don't plan a return trip.

I timed my getaway and had it down to three hours. All I had to do was arrive at LAX, park my car in the VIP lot, walk to the check-in counter and book a first class round trip ticket on the first plane to Hong Kong. I never had to wait more than an hour or two to get comfortably seated in a first class cabin.

I made the Hong Kong run as often as I could just to stress test my exit strategy and to ease bouts of anxiety. There were always moments of doubt. The doubt starts from the moment you lay the founding stone of the hologram. You hold your breath from the time you give the forged invoices to your accounting staff right until they pass the auditor's acid test. I was always prepared with a plausible response or a reason to delay giving an answer.

When the sharks started poaching in my pond, I felt like the roof was caving in on my head. I'd wake up in the middle of the night in a cold sweat. The panic attacks perplexed my wife. What was I supposed to tell her? "Sorry, I meant to tell you I'll be in Hong Kong tomorrow and I might not be coming back."

I started scheduling more meetings with our 'distributors' in Hong Kong and with our 'suppliers' in Taiwan – which usually involved getting together with Thomas Chow or Christopher Liu to plot out next moves and taking liberal advantage of my corporate credit card. When I need to be somewhere safe – I never hesitate to sprint to the safest exit. Charles Ponzi was always on my mind. I found myself whispering silent prayers to him – like he was some kind of saint.

I wasn't the only one who was worried. The partner who knew every dirty little secret was Thomas Chow. As SBC's chief procurement officer his job was to funnel money to our suppliers which meant to Kolin or TCV or Digimedia, a Taiwan company run by Harry Liu, my brother in law. Just to make it all real, we set up a bunch of other shell companies and represented them as suppliers and distributors. Three of our distributors were Kolin subsidiaries. In large part, our fake Asian business revolved around buying fake supplies from Kolin and TCV and their affiliates and selling fake HDTVs to equally fake distributors – some of them Kolin subsidiaries. Christopher Liu was exchanging invoices with me and using it as a cover to pad our sales figures and to siphon money from the coffers of SBC. That's as simple as it gets.

Christopher Liu was a respected Taiwan man business man for whom I still retain a great deal of respect and affection. His company postured as SBC's major supplier. Christopher not only knew that the Asian sales were cooked up, he played an instrumental role in laundering the money and funneling it out of the United States.

Christopher Liu wasn't in it just for the money. He was a desperate CEO trying to save Kolin, an old and tired Taiwan appliance manufacturing company that had built its business on small appliances. Kolin was using the SBC proceeds to shore up its balance sheet and break into the American HDTV market with its own products and a brand name. If SBC scam imploded, Kolin was sure to follow suit. For all practical purposes, SBC operated like a subsidiary to Kolin. But legally, SBC was an American corporation headquartered in Arizona and registered in Delaware.

Anybody who knew about the forgeries would have quickly surmised that SBC had been bankrupt since the day of the merger. After the New York Times article came out, SBC shares traded very erratically with vast and abrupt swings in price and volume. When the shares hit \$11.00, we had a company with a market value of over \$600 million constructed on a heap of worthless forged documents. It was time to call up Merrill Lynch and haul in some real money.

Dealing with Investment Bankers

Like everybody else, Investment Bankers want money. One of the ways they earn their daily bread is by brokering deals between public companies and investors. Any kind of deal will do as long as they get their big fat fees.

They come in with their lawyers and their accountants, mix it up with your lawyers and the financial officers and review your books, the company's quarterly statement and assorted other documents. Maybe they'll do a comprehensive audit – maybe they won't. They'll definitely get a few of their analysts to evaluate your business plan and do a sector analysis comparing your products and pricing models to your competitors.

But in the final analysis, they pretty much have to depend on whatever you tell them as far as the current financial status of your company. They have no option but to analyze your business plan based on the figures and projections you feed them, the figures you fabricated in the inner sanctum. The Wall Street barons of finance studiously examine the quarterly statements you filed with the Securities and Exchange Commission and then their lawyers draft a prospectus and send it out to institutional investors like mutual funds, pension funds, hedge funds and even other investment bankers.

For the Merrill Lynch guys, this was a mom and pop transaction. For us, it was do or die. We would have just one bite of the apple - one chance to put our hands directly into Wall Street's cookie jar - and we wanted to grab as many goodies as we could.

After quite a bit of haggling, the best Merrill Lynch was willing to do was underwrite 23 million SBC shares at a price of 5.75 – way below what we were expecting. That added up to \$132 million. For their troubles, Merrill Lynch and other underwriters pocketed a little under \$8 million dollars for reviewing our books and pitching us to their most favored institutional clients.

Getting any kind of money from sophisticated investment bankers is an accomplishment in and of itself. When somebody writes you a check for \$124 million, you might imagine that they would have sized you up and done their due diligence. The grey suited investment bankers who signed that check were just ordinary human beings with insatiable appetites for money. That was easy to discern from their two thousand dollar custom-made Italian suits and Ferragamo ties. Wall Street bankers are as accustomed to expensive wardrobes as most men are accustomed to their old house slippers.

I know how to dress for success but that means different things depending on the nature of one's craft. Policemen dress like policemen and plumbers dress like plumbers. When you're the Chief Operating Officer of an upstart company, it's best to show up with your sleeves rolled up. You still have to show up in a suit but you don't want to appear too finicky about your wardrobe because you're supposed to be too busy getting real work done.

You always need to know your prey and my prey were investment bankers who never doubted that they were smartest men in the room. Some of them had cut their teeth as attorneys for the Securities and Exchange Commission before moving over to Wall Street to make some real money.

Investment bankers see themselves as financial intermediaries. They arrange deals between a willing buyer and a willing seller, wish them both luck, and walk away with a big fat transaction fee. Their role is no more edifying than the role of a Real Estate Agent.

Take ugly houses and fixer uppers and disclosures. Would a Real Estate agent sell an ugly house? Of course she would. Would she have to disclose to the client that she thought it was ugly? No. Because ugly is in the eye of the beholder. It's the same with most investment bankers. They just want the deal to close and they want generous consideration for their role in arranging the transaction.

Just like Real Estate Agents, investment bankers are required to do reasonable due diligence and make appropriate disclosures about the securities they are selling. When in doubt and to avoid any legal liabilities, a Real Estate agent will sell a property 'as is'. That's exactly what investment bankers do. They sell companies or slices of companies to the public 'as is' with minimal warranties.

We were raising money from the same sophisticated Wall Street actors who were underwriting mortgage backed securities. There never was and never will be a better time to operate a Ponzi scam like 2007. The Wall Street Investment bankers were floating the biggest financial balloon in recorded history. Anything that crawled in that looked like it could be securitized was securitized – even funeral homes and mortuaries.

What surprised me most was how quickly Merrill Lynch put the deal together – weeks not months. They came in, kicked the tires with their tender bare feet and negotiated with us until we came to an agreement that SBC was worth at least \$400 million dollars. Based on that valuation, Merrill Lynch agreed to underwrite 25 million shares in partnership with three other investment banking firms.

When I say we negotiated, I mean Vincent Solitto negotiated. He was, after all, the CEO and SBC's Chairman of the Board. Wayne Pratt, our Chief Financial Officer, had a much bigger role in making the deal than I did. Pratt worked out of our headquarters in Tempe, Arizona and was part of Solitto's entourage. Pratt and Solitto were two of the three "Tempe Amigos" that came from the Brilliant branch of the SBC merger and retained their positions after the merger. The other one was John Hodgson, a board member who also happened to be a hedge fund manager.

What the Investment bankers saw sitting in front of them was a Tempe, Arizona company with operations in the City of Industry that was managed by a competent team of executives who answered to a seasoned ex-IBM executive – Vincent Solitto.

What the Investment bankers saw was my fabricated numbers – the numbers of a company with a certified track record etched into five audited SBC quarterly reports filed with the Securities and Exchange Commission.

My numbers worked like a magic potion that passed the Merrill Lynch sniff test. They painted a hologram of a company that had a competitive product with proprietary technology and was developing a brand name in a sector that had unlimited potential.

What the Investment Bankers saw was that SBC was winding down a money losing operation in Tempe and focusing on developing a profitable Olevia HDTV Brand that had already penetrated the North American and Asian Markets and was starting to gain traction in South America via a strategic manufacturing agreement with a major Brazilian distributor. The company had a competitive edge with an Asian supply chain composed of entities that were committed to SBC's success and had invested heavily in SBC by buying millions of the company's shares through PIPE transactions.

To pull off a billion dollar scam, you need to feed your lawyers the numbers and learn to step back and let them negotiate with the investment bank lawyers. What the Merrill Lynch lawyers saw sitting across the table was SBC's counsel, Greenberg Traurig, the largest law firm in the country. SBC had to be legit.

What the Merrill Lynch bankers did not see was me – James Li. I might as well have been a fly on the wall watching the investment bankers drink the Kool-Aid. They hardly noticed me. All eyes were on Sollitto, Wayne Pratt and Greenberg Traurig counsel.

I'm not a small man. Let's just say, I've got a size that's not noticeable and, I might say, a very handsome friendly Chinese face. But as much as I try, I can't seem to get rid of my accent. It's ever so slight but still unmistakable. That's not to say I'm a wallflower or that I can't stand my ground. When I do have to answer a question, I leave the inquirer with no option but to respect my professionalism, my self-esteem, my competence, my global outlook and my sense of accomplishment and purpose. That said, I do as little talking as I have to.

I was perfectly content to have Sollitto and SBC's counsel dominate the conversation. I was just there as an observer - just a grey suit in the corner leaning against the big invisible elephant in the room – the forgeries. It's really all very simple. I saw the elephant and they didn't.

Those Investment bankers at Merrill Lynch either didn't have a clue or couldn't be bothered to look for a clue. They just wanted to process contracts of one sort or the other. The agreements they put together were all cut and paste. You've seen one IPO prospectus, you've seen them all.

IPO purchase agreements are written in legalese – a language investment bankers are quite fluent in. Invariable, they are graduates of Ivy League law schools who took time off to get there MBA in finance at MIT or Harvard. Technically speaking, they are superb money crunchers who know securities law in and out. The worst thing that can be said about them is they tend to be a

bit too infatuated with themselves and some of them can be a little arrogant and assertive. That said, they were not the kind of men you would ever suspect of kicking a dog. Far from it, they were more likely to take Benji for long summer walks in the Hamptons and felt perfectly entitled to the kind of fees that allowed them to dwell in upper east-side townhouses with their trophy wives.

You can't ever read another man's mind. But you can always take an intelligent guess at what motivates him. What incentives or disincentives make him tick? With Wall Street, the only real incentive to show up for work is to make a huge amount of money.

If SBC's books had truly represented what Merrill Lynch bankers thought they were buying, then you would have to give this round to the investment bankers. Going by our books, we were being roasted on a wild fire. By any reasonable measure, Merrill Lynch could have given us another buck or two a share.

When you negotiate with investment bankers, you must display an appropriate degree of jealousy over what you're giving up. We were selling a third of SBC for a price that was bound to make me unhappy and I was obliged to appropriately demonstrate my displeasure. The impression you always want to leave with investment bankers is that they've beaten your brains out. And you convey that by reluctantly resigning to the agreement only because it was a good move for SBC and for SBC's shareholders. As a general rule, never appear to be too eager to close any deal.

To demonstrate our jealousy, we offered the smartest men in the room a 25% stake in SBC for \$150 million. By the time they were done with their self-serving valuation of SBC's shares, Merrill Lynch had bargained Sollitto and SBC's counsel down to a ridiculous \$132 million for 30% of our shares. All I could do was sit at the end of the table and passively watch the tough bargaining go down between some of the sharpest lawyers you're ever likely to encounter in a single room.

The final deal was ironed out by Merrill Lynch investment bankers with law degrees and Greenberg Traurig counsel acting on behalf of Sollitto who was in turn acting competently on behalf of SBC's shareholders. The funny thing is that I didn't even have to be there to consummate the single largest one day heist in SBC's short history.

When Merrill Lynch signed that \$124 million dollar check, the money was immediately deposited in SBC's bank account and I had the final say on how it would be distributed. This was the moment I took my first standing ovation.

Now \$124 million dollars is nothing to scoff at but it was a crushing disappointment. We had expected a lot more out of the deal. If it hadn't been for the damn sharks shorting our shares, we probably would have raised another twenty or thirty million.

As part of the deal, Thomas Chow and Christopher Liu and a few other insiders sold some of their own shares and feathered their own nests with another 14 million dollars. Everybody always wants more but we were resigned to the fact that we got the best deal possible.

The bottom line is we had to settle for what we could get and adjust our game plan accordingly. When you're selling worthless securities, you can't exactly complain about the price but when you're not selling as much as you expected, you have to be prepared to throw away the old blue print and start working on a new plan.

Despite our disappointment, we took a great deal of pride in raising \$124 million from institutional investors. We now had a stamp of approval of Merrill Lynch and had reached deep into the pockets of UBS, a Zurich based Investment bank. We had sold Wall Street a heap of shares worth considerably less than a shack built on a Louisiana bog for enough money to buy a Manhattan skyscraper.

Crisis Management

On September 12, 2007 SBC sent out a small PR statement announcing the resignation of our Chief Financial Officer, Wayne Pratt. "We are extremely sorry to learn of Wayne's decision to leave the company to pursue an opportunity with a privately held company," said Vincent Sollitto, chairman and chief executive officer of SBC. "He has been a great addition to Syntax-Brilliant since the formation of the company in late 2005, and we certainly wish him the very best in his new endeavor. With Wayne's assistance, Jack Hodgson, our audit committee chairman, and I have begun the search for a replacement." The replacement ended up being Jack Hodgson.

The next morning, Merrill Lynch downgraded SBC shares from buy to sell "to reflect management's new guidance because of component supply constraints." Merrill Lynch's sudden abrupt change in sentiment rattled the market. That downgrade sent SBC's shares into a tailspin. By the time the carnage was over, most institutional investors had completely sold out and half of the company's shares had changed hands in 48 hours.

I didn't expect that Merrill Lynch would do that – not that quickly and not that brutally. Neither did I anticipate the market's reaction. When did a stock ever lose half its value because of the resignation of a Chief Financial Officer?

It was just shocking that Merrill Lynch would write SBC a check for \$124 million check in May and turns around and tell their clients to dump their shares in September. Whatever happened to the notion of a decent interval? Where was their self-respect?

Aside from Merrill, we had three other underwriters. As the principal underwriter, Merrill Lynch had cut and negotiated the Secondary Offering and then turned around and immediately spread its risk by selling million of the shares to three other global underwriters. Since the transaction

fee was basically included in the \$5.75 price of each share, each of those underwriters got a slice of the \$8 million fee. Even Investment Bankers have to share. Merrill Lynch wasn't doing it to give a gift to the Swiss Bankers. It was just a standard operating procedure to spread their risk and their legal liability.

Merrill Lynch and the other three underwriters had basically purchased our shares wholesale at a fixed price \$5.40 and then turned around and immediately sold them to their institutional clients for \$5.75. The difference in the price was their commission. I thought the moment they got their \$8 million commission, the investment bankers would move on and never look back. I was wrong and I had to assess where I had gone wrong.

The Merrill Lynch downgrade was a learning experience - one I had to digest on the fly while quickly adapting to the new normal – a stress level that was off the charts.

I frantically checked the business wire. No downgrade from the Swiss bankers. No downgrade from Robert W. Baird. The most severe blow came from one of the smaller underwriters, Canaccord Adams. They downgraded SBC from buy to a hold, saying "Accounting issues, CFO departure and credit fears too much to stomach." Ouch.

A few weeks later, Robert W. Baird & Co, downgraded SBC from outperform to neutral. UBS, the giant Zurich based investment bank, was the only underwriter that didn't issue guidance one way or the other. I had to assume they counseled their clients to sell in a discrete Swiss way. For all I know, they might even have taken a short position.

I just didn't foresee things unraveling so quickly. It was a sign that we would definitely have to readjust to the abrupt turn in fortunes and accelerate our exit schedule. There would be plenty of time to panic later and as I was scrambling to regain my balance on a wobbling hot seat, I had to make an intelligent guess about Merrill Lynch's abrupt change in sentiment. Did they find out about the forgeries? Not a chance. Did they think we were fooling around with our sales numbers? You'd have to ask them and they'd never tell you.

I called Sollitto. He was as alarmed as I was. Investors were swamping the company with calls. He said he thought that the Wall Street sharks spooked investors - they were shorting the stock like crazy. Even if that was true, I knew it wasn't a complete answer and so did he. Then Sollitto casually mentioned how he was getting on in age and maybe this would be a good time for him to spend more time on the golf course.

Sollitto was already strapping on his golden parachute and executing his exit strategy by shedding as much legal liability as he could. The inevitable shareholder class action suits were sure to follow and he wanted to distance himself from the day to day operations of SBC. It didn't matter to me one way or the other. I was already the Chief Operating Officer and, if something went wrong, there was never going to be any doubt about my role in the affair – I was the architect and the Godfather.

To avoid any hint of scandal, we agreed that Sollitto would continue to serve as Chairman of the Board and I would take over as CEO. This meant I would have to step forward from the shadows, my face would be the public face of the company. I would be the one responding to calls from reporters and analysts and I would be the one cutting deals with the bankers and I would be the one who had the final say on how to handle the SCHOT delinquency problem and how much money to send to Kolin and TCV for supplies.

I made an assumption that Sollitto was making his moves under the advice of counsel. Although they were paid by SBC, Greenberg Traurig were really always Solitto's lawyers. They had answered to him before the merger and continued answering to him after the merger. Going forward, they would be also answering to me and the Chief Financial Officer would come under my direct supervision.

As heir to the throne, I was stepping forward and taking the helm at a critical moment in the company's history which unfortunately meant I had to have a more public profile. We made it look like Sollitto was being replaced by a younger more dynamic hands-on guy with a track record and operational experience – the man who built the most profitable subsidiary of the company and was responsible for creating the Olevia brand name.

Resolving the Corporate Governance issues with Sollitto was an amiable affair. It gave me complete control of the day-to-day affairs of the company. As soon as I took the helm of SBC, I immediately set the course to our final destination – bankruptcy court.

Handling Shareholder Complaints

As CEO of SBC, my chief responsibility was to shareholders, the legal owners of the company. If the company prospered, they would gain the dividends and if it faltered, they would eat the losses.

Half the company's shares had traded hands in a couple of days and some very angry shareholders were beating at our gates. As a public company, you don't have to buy shares back from shareholders. If somebody wanted to get rid of a position in SBC, they were free to call their brokers and dump their remaining position and that included the institutional investors. The only thing investors can expect from a public corporation is to execute on its business plan and give shareholders a detailed and transparent snapshot of the company every 90 days.

To handle retail investors, we immediately beefed up our investment relations department and hired a few corporate image consultants from FTI Palladium.

As you can see from the damage inflicted by the Merrill Lynch downgrade, your greatest worries are the institutional investors. They're the ones that give you the biggest headaches. Most of

them had already rushed to the exits after the Merrill Lynch announcement and they were not coming back for a second helping. This was not an entirely bad thing.

The mutual funds and pension funds had dumped their shares in the open market. While they were selling, small investors who liked the Olevia HDTVs continued to be true believers and added to their position because they just couldn't resist buying our worthless shares at half price. I have to assume some of the sharks probably purchased shares to cover their short position but there is no way of determining who was doing the selling and who was entering the buy orders.

The vast majority of shareholders were now small investors who didn't have a clue that the ship was and always had been a very leaky vessel. By the time we filed for bankruptcy, the shares were in the hands of 30,000 wild eyed penny stock investors and a few desperate long term investors groping to recover from their losses by dollar cost averaging.

In a few months, all the institutional investors were gone and I was left with a constituency of novice investors, day traders, technical investors who believed they could divine a pattern to the gyrating share price, freelance pump and dump artists and not a few investors who invested on the fundamentals and were in it "for the long haul." The only group of investors who call up for information are those long term investors – and there would be fewer and fewer of them as we made our way to bankruptcy court.

A lot of people would be watching to see what would happen when the September numbers were released to the public. The immediate task was to get the market to wait for the September numbers before questioning the integrity of SBC's finances. If somebody even hinted that our books were polluted with fabricated sales numbers, it was definitely time to bail out. I had to be very cautious and make sure I was in a safe place. I took off to Hong Kong to mull things over with Thomas Chow.

Plotting an Exit Strategy

I can't emphasize enough the importance of a safe haven. When you are about to engineer a crash landing, the first order of business is to make sure the parachutes are in good working order and if the crash is eminent, have the parachute strapped on at all time.

The morning after the Merrill Lynch downgrade was announced, I was off to Hong Kong to brainstorm with Thomas Chow on how we could accelerate our exit strategy. As SBC's Chief Procurement Officer, Thomas Chow spent most of his time in Hong Kong. That probably explains why his nerves were always calmer than mine.

For three years we had sailed in tranquil waters. And now we were swan diving into a stormy sea and the forecast was for a hurricane. It had taken a year to set up an import-export enterprise

and falsify the books to get Preferred Bank to bite. Once we got the loans and credit lines from the commercial bankers, we needed almost two years to engineer the merger with Brillian and create the Hologram of a profitable multinational enterprise that enabled us to snag the Merrill Lynch deal and walk away with \$124 million dollars.

For nearly three years, all we really had to do was close on two major financial deals – the Preferred Bank Loan and the deal with the Merrill Lynch bankers. And until the Merrill Lynch downgrade and the sudden appearance of unidentified sharks in the water, we had avoided attracting the attention of the authorities.

At his juncture, SBC had filed six audited certified quarterly reports with the Securities and Exchange Commission without raising a hint of suspicion. SBC had also filed California Income taxes and IRS returns based on the same fabricated numbers we reported in those SEC filings. So we were good with Uncle Sam. One way or another, every number in those SEC quarterly filings and our corporate tax returns were derived from forged documents. Up to this point, there was never any doubt about the integrity of those numbers. That was about to change.

Assessing the External Threat Level

On any day of the year, I could draw a fairly precise and concise diagram of where and how real money was coming in and when and how real money was going out. We were burning through cash like crazy and, as you shall see, on purpose. On your way out, you need to book losses at a dizzying speed.

Juggling the numbers and handling the cash flow was an essential task that relied on our ability to periodically forge more sales documents. Assessing the external threat level required more guess work. The immediate threat we confronted was whether our lenders or auditors or shareholders would call us out on our sales figures.

I was particularly concerned about the near enemy – the insiders who could blow the whistle. Even before Wayne Pratt announced his resignation, he was sounding internal alarm bells about the threat of a SCHOT delinquency and starting to question the authenticity of our sales. We worked out a generous severance package and a ‘don’t ask - don’t tell’ gentlemen’s agreement and then ushered him out the back door.

When your Chief Financial Officer goes out the back door, a few people might notice. How they interpret the change in senior management depends on personal judgment and experience.

The Merrill Lynch downgrade was more perplexing because it didn’t add up. Did the “component supply constraints” justify a downgrade from a screaming Buy to a shrill Sell? To curious ears, they made it sound like some unforeseen Tsunami was about to hit ground and that SBC was in the eye of the storm. If the clouds on SBC’s horizon were so foreboding, why didn’t Merrill Lynch

notice them when they put together the SBC prospectus a few months earlier? Why didn't the Merrill Lynch downgrade fail to mention the accounting issues raised by Canaccord Adams?

These are the questions I was mulling over with Thomas Chow. As we observed the behavior of the market from the safe distance of Hong Kong, we had to get a clear understanding of what Wall Street and Swiss investment bankers knew, why they would even care to find out and what they would do about it. Over the next few days, Thomas Chow would help me regain my clarity. The storm had passed and we were about to execute a slightly modified exit strategy.

What happened with Merrill Lynch?

This is my best guess. After closing the deal with SBC, Merrill Lynch had gotten a whiff of the dead rats in the attic and just wanted to walk away holding its nose while protecting their clients from the ravages of the inevitable plague. Their only liability was to the institutional clients that participated in the public offering. And there was always the small matter of avoiding scandal and protecting the reputation of the Merrill Lynch investment bankers who had obviously botched their due diligence.

I'll never know exactly what prompted Merrill Lynch to act the way they did, but I was starting to understand that they had no other alternative. They just wanted to be done with us. Going forward, that meant that their analysts would never cover us again. Good riddance.

That left Canaccord Adams. They obviously had stronger feelings and they weren't complaining about something that was about to happen; they were voicing loud concerns about the pain in the pit of their stomach - the kind of pain that leads to ulcers. Throwing caution to the wind, they took some medication and decided to counsel their clients to hold onto their position and watch how things played out.

That was reassuring. It meant that Canaccord Adams was not on the same page as Merrill Lynch. The most important feedback I got from Wall Street was that the four underwriters were not of one mind. Which meant everybody was confused and scratching their heads. So nobody knew anything for certain. It's true that the market was spooked by the mixed signals from the investment bankers but the important thing is that the Secret of the Inner Sanctum had escaped detection.

The Golden Numbers of September

In two weeks, SBC would be closing its books for the Quarter ending Sept 30, 2007 and Wayne Pratt would be gone. We needed to produce convincing numbers to make our seventh quarterly SEC filing look sterling. The immediate imperative was to pay down the SCHOT receivables to reassure the market and steady the boat. That necessitated burning some serious cash.

We had already spent a small fortune making good on some of the forged SCHOT invoices. Every time we made a payment on the SCHOT receivables we were essentially buying back our forged invoices. Liu wired money to Thomas Chow who put it in the SCHOT account and that's all it took to up pay all past due SCHOT receivables. To soften the blow, we booked some more sales to SCHOT with the usual 120 day grace period.

We now needed other distributors in our Asian Markets willing to market our non-existent products. Because we could only forge so much in fake SCHOT sales, we set up another "major distributor" - Olevia Far East. We also made the claim that we had signed distribution agreements with three Kolin affiliates. It's all about balancing the books. And since our books were all based on forged documents, our solution to every problem was forging more documents including distribution agreements with more Hong Kong shell companies that distributed absolutely nothing.

We had started off with a precisely timed exit strategy that didn't include this sudden downgrade from Merrill Lynch. Once your timing is thrown off, things can go downhill in a hurry and you have to be ready to react in an appropriate manner with proper financial documentation in hand. The lesson learned was that stuff happens and you don't always have control on the sequence of events or the speed at which they happen.

This story is about to come to an abrupt end, at least for shareholders. SBC was about to close its books for the quarter ending September 30, 2007 - exactly eighteen days after the Merrill Lynch downgrade. The September numbers were the most critical numbers I ever had to fabricate. And we had to use some serious cash to make those numbers work - starting with paying down some of the forged SCHOT receivables. We weren't about to pay them all off. We just had to make SCHOT's account current.

To soften the blow from a sudden spike in our burn rate, we had already booked some new SCHOT orders. Then we started booking more forged orders from other affiliates, including Olevia Far East.

Let me tell you a little about Olevia Far East if only to inform you how easy it is to do business in Hong Kong. With the aid of a young Hong Kong lawyer, I set up Olevia Far East as a Hong Kong registered company with some basic articles of incorporation. It took less than 48 hours to have the proper backdated documentation in my hand, in Chinese, with a certified English translation. All for a few thousand dollars.

Olevia Far East had no place of business, no checking account, no office or phone number – not even a website. It was a shell company as worthless as any random grain of sand in the ocean. Olevia Far East was no more than ink on paper. And the orders that we booked under Olevia Far East was backed up by – you guessed it - more forged purchase orders and shipping documents – some of them backdated to give the illusion that Olevia Far East been doing business with SBC for some time.

The sales to Olevia Far East were part of our September numbers and they were every bit as fake as our sales to SCHOT. One other great advantage of dealing with a new customer like Olevia Far East is that it left the appearance that SBC was diversifying its distribution channels in China to gain access to bigger share of the Asian markets while simultaneously collecting all back due amounts from SCHOT receivables. Appearances are everything and that kind of news helps you to control the message.

Controlling the Message

The reason the September numbers had to be golden was that they were the last SBC quarterly numbers we would ever file with the Securities and Exchange Commission. For both institutional and retail investors, those were the last certified numbers that they would ever lay eyes on.

Until SBC filed for bankruptcy, the only other information investors would get would be from corporate press releases which we posted on the SBC website. Shareholders were always free to call our investment relations department who were obliged by law not to release any information that was not already public knowledge. Based on their assigned talking points, the PR department was instructed to direct troublesome shareholders the SBC website and give them assurances that SBC would soon be posting earnings. When? When the company's accountants and auditors were ready to file them with Securities and Exchange Commission.

On September 20, 2007 John Hodgson replaced Wayne Pratt as Chief Financial Officer. He was a member of the SBC Board of Directors and, at the time of his appointment, he was also a managing partner of Wild Turkey Equity Partners, a private-equity firm that catered to the manufacturing industry. A hedge fund manager was now the man in charge of the fabricated numbers. A few weeks later, Hodgson would sign off on the Golden September Numbers.

The first thing we did after closing our books on September 30, 2007 was to take our time making certain that our numbers were unimpeachable. We announced an earnings date. Then delayed it. And the reason we delayed announcing earnings was due to a 'misunderstanding' with our auditors which we resolved by producing more forged back-dated documents and giving them a lesson about how business is conducted in the Far East where market penetration requires some unorthodox shortcuts and where personal relationships and family bonds come into play and partners are easily offended when you can't cut them a little slack on a past due invoice.

Due to the laws against bribing foreign officials, you can only hint at the occasional fees one has to pay to expedite transactions in a business environment where the whole concept of a win-win situation is intertwined in the culture in a way an American couldn't possibly understand. The Ernest and Young auditors ate it up and eventually went along and certified the September numbers and we were good to go for another quarter.

Until the September numbers were released, we had to control the message. That meant we had to do more of something we were doing all along – dominating the rumor mill and manipulating the price of the shares through third parties.

In addition to the standard business practice of hiring corporate image consultants, Thomas Chow and I took to engaging investors on one of the most popular websites that attracted small SBC investors hoping for a ray of sunshine. It's amazing how influential you can be on a Yahoo message board when your postings are immediately recognized as having sound analysis. The few astute investors who bothered to read them were apt to repeat the same message to boost the price of the shares they owned. You can't manipulate the market if you don't have willing buyers and they won't come if you can't control the message.

We weren't about to just sit in around in Hong Kong and passively watch the sharks manipulate our shares. We gave them a run for their money and engineered a few short squeezes while we were at it.

With the Merrill Lynch downgrade, we knew we had lost a degree of control over events and we had to adjust our game plan accordingly. It was going to happen sooner or later and it's best to get the institutional investors off your back as soon as possible. That was one very fortunate development that came out of the downgrade. Before the Merrill Lynch downgrade, SBC was subjected to the scrutiny of institutional investors – mutual funds, public pension funds, insurance companies and Wall Street analysts. They were all now gone and replaced by a new constituency made up entirely be retail investors who were as easy to handle as blind mice. They were the little people who were left holding the bag as institutional investors dumped their SBC holdings and just walked away holding their nose.

The October Surprise

I hope that by now you are sufficiently convinced of the importance of never screwing your bankers. Having dispatched with the investment bankers, it was past time to pay off the Preferred Bank loans.

The good folks at Preferred Bank were expressing a level of anxiety that was really unnecessary. They knew me and they knew Christopher Liu and Thomas Chow. They were from Taiwan, we were from Taiwan and we all did business the Taiwanese way – you take a shortcut here and a shortcut there and everybody gets their fair share.

You might wonder how I managed to convince Preferred Bank to lend SBC \$80 million dollars. To give credit where credit is due, Christopher Liu did a lot of the convincing by posting a \$10 million dollar security deposit.

Preferred Bank was still a small regional ten-branch commercial bank with a \$1.5 billion in assets and around \$160 million in equity. Where did they get off placing half their equity on a single bet with a start-up company? Put aside that they got paid very handsome fees and they were charging us quite a bit more interest than the prevailing market rates. Why was Preferred Bank betting the house on one commercial loan to a single client? Where were the auditors and the bank examiners? They'll never tell you and I have no interest in speculating on how the gentlemen at Preferred Bank got by the radar of the banking regulators. You'll just have to make your best guess but I can leave you with a few tantalizing clues.

Preferred Bank was a California Chartered publicly traded financial institution presided over by a Mister Li Yu, a past President of the National Association of Chinese American Bankers. One of Preferred Bank's founders who sat on the Board of Directors was a gentleman by the name of Chih-Wei Wu, another experienced banker with three decades of commercial loan experience.

At the time we took out the Preferred Bank loan, Chih-Wei Wu just happened to be chairman of Hsinchu International Bank, a \$15 Billion dollar Taiwanese bank which had a huge stake in Preferred Bank. In fact, Chih-Wei Wu was a founder of Preferred Bank.

One thing you can be certain of is that Preferred Bank would not have stuck out its neck and lent us \$80 million without the approval of Mr. Chih-Wei Wu. In March 28, 2007, Mr. Chih-Wei Wu sold Hsinchu International Bank to the London-based Standard Bank but continued to preside over the Taiwan operations until July 1, 2008. Coincidentally enough, that is exactly the same day I resigned as CEO of SBC. Last I checked, Mr. Chih-Wei Wu retains his private stake in Preferred Bank and continues to serve as an executive board member.

All banks play by a set of basic rules. They lend you money and you pay them back on time with fees and interest and if you don't pay back they come and get your stuff. As you gradually build up a reputation as a client who keeps his accounts current and pays his bills, you start asking for larger loans and a bigger credit line. With every new loan application, you go through the same bureaucratic routine of negotiating the provisions of the loan based on your latest audited Securities and Exchange quarterly statements and your Federal and California State tax returns in much the same way you would provide a pay stub and a tax refund check to refinance your house.

There is, however, a little twist when it comes to commercial loans. At first the bankers owns you but, as you take out bigger and bigger loans, you end up owning the bank. It's one thing for a small commercial bank to write off a few million dollars on the occasional bad loan. But there was no way for Preferred Bank to write off \$80 million without immediately sparking the intervention of bank regulators and causing a liquidity crisis.

Always avoid entanglement with bank regulators. Defrauding banks chartered in the State of California is a sure path to the gates of hell. Bank Fraud will inevitably involve the intervention of

the United States Attorney or the State Attorney General or both. When a bank is targeted by one of its clients, you can count on the government to deploy its forensic swat teams to investigate every aspect of the fraud. Bankers can always steal from you but don't you ever dare steal from bankers.

In order to hide SBC's true financial condition, I had used fraudulent bookkeeping to overstate SBC's sales and income, inflate the worth of the company's assets and book fake profits on our books. I had managed to conceal that SBC had always operated with a huge burn rate. Over the span of three years, our tampered records were used to systematically increase our loan ceilings until we ended up owing Preferred Bank \$80 million. The series of ever increasing loans from Preferred Bank served us well. The beauty of it all was that the interest rates and fees were bundled into that \$80 million and I never once had to put my hands in my pocket to pay off Preferred Bank.

Under banking statutes, I had forged documents and submitted false loan applications and committed accounting fraud. I had cooked the books just like Enron and WorldCom. Just one count of banking fraud can lead to a 30 year sentence and a million dollar fine and saddle you with full responsibility for making restitution to your victims.

If I hadn't paid off that Preferred Bank loan, I would have been subjected to the same savagery inflicted on Charles Ponzi. Did some banking officer at Preferred Bank engage in assisting us in hiding our financial problems? Why did they take such a big risky bet on one start-up company that was competing in what was essentially an appliance assembly business? I'm not a lawyer and what exactly constitutes a charge of aiding and abetting a fraudulent loan application is entirely up to Federal and State law enforcement agencies.

In the White Collar Crime business, nobody comes forward and confesses even after they're caught. But just so no one is falsely accused, there is one question I can answer. Preferred Bank did not know about my brilliant forgeries. They knew what everybody knew – that we had filed Six Quarterly statements with the Securities and Exchange Commission and that the SBC's books and business plan were as solid as gold and had already come under the intense scrutiny of SBC's officers and directors, independent auditors and Merrill Lynch investment bankers. At every turn, and after careful analysis and serious due diligence, SBC's books and records had emerged with a clean financial bill of health.

Paying off the Preferred Bank loan was, for me, the most critical accomplishment of my short career as securities scam operator. Had the scheme imploded before we fully honored SBC's promises to our friendly commercial bankers, I would not only have faced banking fraud charges but also been indicted for trading on insider information, embezzlement, filing false IRS returns and SEC quarterly reports, money laundering and illicit conveyance of corporate assets to off-shore bank accounts. The list goes on.

If you don't plan to pay off your Taiwanese bankers, Hong Kong Rules are useless and there were only two ways to pay back Preferred Bank. The most odious way was to pay off the loan out of my own pocket. The other way was much more palatable – to find somebody else willing to lend SBC money to pay off the Preferred Bank loan.

So we went out looking for more money and ended up meeting two Goldman Sachs pros. We made them a deal they couldn't refuse in exchange for a clear and certain path to a Delaware bankruptcy court.

On October 26, 2007, SBC closed on a \$150 million deal with Silver Point, a hedge fund in Greenwich, Connecticut. It was my October surprise. We immediately paid off the \$80 million Preferred Bank loan and that left us with an additional \$70 million to play with. Seven weeks after the Merrill Lynch avalanche, I had steered the corporate ship to the deceptively calm waters that usually precede a Typhoon. Soon enough, I would be forced to cede the wheel to Silver Point.

Reeling in One Last Big Fish

Every fisherman has a secret to explain how he snared his prey. He'll tell you about the kind of rod he uses, how he cuts his bait, why he sometimes resorts to platinum tinted lures and what he knew about the habits of the various creatures that inhabit the muddy waters.

The retail investors watches the ticker symbol and believes they knows just as much as all the other fish in God's clear blue seas. The big fish nibble at the tires and decide whether to buy some wholesale and the sharks bite the tires because it's always dark and it's always lunch time and they know the tires are over-inflated and about to pop. With Hong Kong rules, your lure has to attract any fish that's willing to bite – especially the barracudas.

Some of the people I swindled were just plain stupid. I don't mean to insult them. Investing in the market is not an IQ test. They were either greedy or desperate or too sure of themselves or too stubborn or too afraid to tell their wives. The thing they had in common was that their temperament effected their judgment.

Some of them lost everything and I'm truly sorry for their losses. They shouldn't have been swimming where I was fishing. I didn't create the Securities Fraud Industry. The victims were just collateral damage. I like to believe they would have lost their money anyhow. I mean the whole market crashed in 2008. So what difference does it make how they lost their money?

I didn't mean to harm small investors. Frankly, the only time I gave them a second thought was in terms of dodging legal liabilities. Out of necessity, I was obliged to convince a number of sophisticated parties that we all had a common interest in obliterating any legal rights shareholders might have.

My great sin is that I just couldn't resist an invitation to play with the big guys on Wall Street, make a fortune and walk away clean and there was never a doubt in my mind I could pull it off.

The last fish I reeled in was a Barracuda that does not distinguish between dolphins and piranhas. Silver Point was the whale I intended to beach in a Delaware bankruptcy court when I executed the final and most important transaction of the perfect billion dollar crime.

When it comes to Silver Point, there's much more to say and plenty of time to say it. They were by far the most intriguing of the many partners in this scam and more wily and opaque than any of the actors I will mention in this confession.

How Liability Issues are Eventually Resolved

Even when you play by Hong Kong Rules, there is no way of dodging the inevitable class action suits from disgruntled investors. Sure enough, two weeks after we signed the Silver Point loan agreement, some shareholders started filing complaints against SBC and its officers and directors – including your humble scribe.

Beginning on November 14, 2007, we were hit with a series of class action lawsuits filed in the Federal District Court of Arizona. The first complaints mentioned only the "Tempe Amigos" - Sollitto and Wayne Pratt and John Hodgson. SBC's auditors at the time of the Merrill Lynch offering were also named as a defendant. So was Merrill Lynch and the other underwriters. Thomas Chow and I were added to the complaints later on.

When somebody files a civil lawsuit against you, it can be very alarming – especially when you know there's a lot more dirt under the covers. And when the guys taking you to court are cops; you'd think you wouldn't stand a chance and you would be wrong.

This is how the real world works. Courts are busy and there just never seems to be enough judges to process the often frivolous claims filed by armadas of lawyers that dominate virtually every commercial civil court proceeding in America.

The Arizona District Judge handling the case was the Honorable Frederick J. Martone. It would take Judge Martone four months to consolidate all the complaints and decide on who to appoint as lead plaintiffs. He chose the City of St. Clair Shores Police & Fire Retirement System and the City of New Haven Policemen's Pension Fund. That scared the hell out of me because, any way you cut it, some of the money we were stealing came from first responders. I think that was when I first became acutely conscious that I wasn't stealing money from Wall Street – Wall Street was just teaming up with me to steal from retired cops in New Haven and the City of St. Clair Shores.

Once SBC sold the 25 million shares to Merrill Lynch and the Swiss investment bankers, we had no way to control which institutional clients would sign up to buy a slice from the underwriters. Merrill Lynch or one of the other underwriters had sold blocks of SBC shares to police pension

Copyright © 2016 Ahmed Amr. All rights reserved worldwide.

funds and the cops' lawyers wanted their retirement money back. The fact that some of Merrill Lynch's clients were retired cops was an unfortunate stroke of bad luck that accentuated my anxiety over being exposed.

As things turned out, my anxiety was unwarranted. The St Claire and New Have Cops had no special dispensations under securities laws. Cops or no cops, their retirement funds were no different than any other union pension fund. They would just have to wait in line till the securities lawyers sorted things out with Judge Martone.

Once you understand the situation and properly assess the consequences and make certain that appropriate remedies have been taken, you move on. First of all, those police retirement funds had already sold their SBC shares – they just wanted compensation for their losses. In any case, they were now former shareholders with a gripe not just against SBC, not just against Sollitto, not just against me but also against the auditors and Merrill Lynch.

It took until August 25, 2008 before the class action complaint was filed naming the police retirement funds as lead plaintiffs. That was six weeks after SBC filed for Chapter-11 in Delaware. The case never went to trial and the lawsuit was discretely settled for \$10 million in cash on February 18, 2010.

Merrill Lynch and the Underwriters had to cough up \$2.75 million and our auditors paid \$2.5 million. The remaining \$4.7 million was paid by the SBC officers and directors named in the suit including me and Thomas Chow. The judgment against me and Chow was paid right out of SBC's Directors and Officers insurance.

The class action lawyers got 25% of the settlement fund plus a little over a million for their fees – nearly \$4 million in all. That doesn't even include the fees for our counsel or Merrill Lynch's counsel. I can confirm that the Greenberg Traurig crew was very handsomely rewarded for putting up a valiant defense of James Li and associates. By the time I landed in Hong Kong, my lawyers had already run up a \$2 million tab and the case was just getting started and not a dime of it came out of my pocket.

I was long gone before the suit was settled. And when it was all said and done, the agreement did not compel any party to admit anything. Whatever part of the liability I was responsible for was covered by the insurance policy – including my legal expenses. As the suit slowly moved through a miraculously inefficient court system, all I ever had to do was make one telephonic appearance before a judge. The rest you leave to some very happy and prosperous lawyers.

While the case took its own sweet time creeping through the legal system, my lawyers got paid every month. They sent their court approved monthly bills to the insurance company for "normal fees and expenditures." For Greenberg Traurig, SBC was just another client; and when more work had to be done, Greenberg Traurig was always happy to do the heavy lifting for the right price.

For Greenberg Traurig, the Arizona class action suit was just another revenue stream from a generous client. The only reason Greenberg Traurig abandoned the Arizona gravy train was that they saw a \$10 million revenue stream in the bankruptcy filing and they wanted to have complete control of the situation until we crossed the finish line in Delaware. There was a conflict of interest issue and they could either continue defending me and my accomplices or they could go for the fatter fees they were likely get paid for representing SBC in the bankruptcy proceedings.

A week before they filed papers for SBC's bankruptcy petition, Greenberg Traurig withdrew as my counsel. This well timed decision was to our mutual advantage. Before they bid me adios, Greenberg Traurig hand selected their successors.

In the final analysis, those Merrill Lynch investment bankers were no better than me. They cut their deals, got their \$8 million commission and bonuses, covered all their liabilities and left the rest for their lawyers to sort out on somebody else's dime.

One point I want to make clear here is that the last thing I had to fear was the consequences of a class action suit. By the time the lawyers worked out a deal, the evidence of the forgery had been concealed and the matter was never raised in the Arizona proceedings.

Throughout the ordeal, I was standing shoulder to shoulder with Merrill Lynch. In the eyes of the law, we were being charged with the same offense – exaggerating the performance of SBC. Merrill Lynch's lawyers had as much incentive as I did to obscure the truth of the matter before the Arizona Court. I had implicated Wall Street bankers in my scam and, let's just say, Merrill Lynch and I had common interests until the class-action case was settled.

Merrill Lynch was at one time the largest securities firm in the world. By the time of the settlement, Merrill Lynch no longer existed. It had managed to avoid bankruptcy by merging with The Bank of America – a deal subsidized by the banking bailout.

Of course, one of the defendants in the case was SBC itself. SBC's defense team was made up of a squadron of Greenberg Attorneys led by Brian Jay Shulman, Jeffrey Walsh, Robert Mandel and Laura Elizabeth Sixkiller. By the way, that really is Laura's family name – Six Killer. Never worry about the lawyers. Every lawyer makes a six figure killing regardless of whether they represent the aggrieved shareholders or the officers and directors.

Until a week before the bankruptcy filing, the Greenberg Traurig squadron also represented Sollitto, Wayne Pratt, Thomas Chow and myself. Hodgson brought his own counsel to the fight – five lawyers from the firm of Munger Tolles led by Avi Braz. So our combined defense team started out with ten lawyers.

When Greenberg Traurig withdrew from representing us, Thomas Chow and I hired a seven man squad led by Jennifer Lopez from Bingham McCutchen – a San Francisco Firm. Not to be

outdone, Sollitto and Wayne Pratt hired eight lawyers from Irell & Manella. So another fifteen securities lawyers joined the fray.

Add to that another five lawyers who represented Merrill Lynch and USB and the other two underwriters. On top of that, SBC's auditors were also obligated to field their own contingent of securities lawyers.

On the other side of the isle, there were about twenty attorneys who were involved in bringing the various complaints. One of them was Lee Squitieri from a small firm in New York. More about him later.

In all, some sixty experienced securities lawyers showed up for the Arizona party and they all walked away with their fair share. The class action complaint wasn't even settled before a jury or in a courtroom. It was negotiated between gentlemen who took other gentlemen's interests into consideration and made sure that some of the insurance proceeds went to the New Haven and St. Claire cops and similarly situated swindled investors.

And here is the rub. Those "similarly situated" investors were the shareholders who purchased the shares relying on the Merrill Lynch Prospectus and had sold on or before the date Merrill Lynch downgraded the stock. The class-action suit was essentially filed on behalf of Merrill Lynch's clients who purchased the shares at \$5.75 and sold them at a loss. What I want to emphasize is that it was a suit on behalf of ex-shareholders against the SBC and its officers and it was filed seven months before SBC filed for bankruptcy. So sixty securities lawyers had their eyes on the strange happenings at SBC and sixty lawyers had the right to take depositions and sixty lawyers couldn't figure out what was going on in the company.

Securities lawyers are some of the most over-paid professionals in the world. It's not that they don't have a high level of expertise. Most of them can recite the securities laws chapter and verse and all of them understand that if it wasn't for guys like me, there would be no need for guys like them or for their considerable talents and influential connections. Another common thing about law firms that represent clients like me is that many of them hire talent straight out of the Securities and Exchange Commission and the Justice Department.

When you're stealing a billion dollars, your radar should always monitor the authorities. Would the Securities and Exchange behave the way I expected it to behave? Or would they ambush me and take an interest in the class action suits?

The SEC eventually did get around to sending SBC a letter of inquiry which was appropriately handled by our counsel and I never heard from them again until a few years after SBC filed for bankruptcy. Do you see what I mean about Greenberg Traurig? I've never once had a personal encounter with an official of the Securities and Exchange Commission. If the SEC had questions, they relayed them to SBC's counsel and SBC's counsel informed SBC's officers and directors who

told Greenberg Traurig to handle the matter as discretely as possible and to send their bill to the insurance company.

Hong Kong Rules depend on circumventing securities laws by maneuvering around the enforcers of those laws. If I didn't believe with the utmost certainty that Greenberg Traurig would be able to divert the attention of the regulators, I would never have ventured into such treacherous terrain. That's what I paid my counsel to do and they did it very well and, in any case, it doesn't take that much effort to dodge the regulators.

I knew from the start that the Securities and Exchange Commission would mind their own business. It was common knowledge that SEC is staffed by some of the most unscrupulous operators in Washington DC – United States government attorneys who salivate at the prospects of an invitation to join a Wall Street firm. If I didn't know for certain that the SEC radar was permanently shut down, I would never have engaged in a scheme that could easily unravel with a little forensic analysis. The Securities and Exchange Commission is like an ATM machine for guys like me and my lawyers and an assorted bunch of other actors you will shortly encounter.

Standing Your Ground

When Ponzi was finally confronted by authorities, he couldn't deny the evidence. All he could say was "OK, marshal, I am your prisoner." Unless Ponzi wanted to surrender his fate to a lynch mob armed with pitchforks, he really had no choice – the safest way to go was to seek the refuge of a police escort. Incredibly enough, Ponzi's victims included nearly half the officers of the Boston Police Department. Ponzi plea bargained his way to a little hard time – fourteen years in all. He couldn't stand his ground. It took one state bank examiner two days to unravel Ponzi's scam.

Once we got Merrill Lynch and Preferred Bank off our backs, we now had to stand our ground against Silver Point. We continued monitoring and manipulating the shares and, of course, taking whatever measures we could to control the message. Thomas Chow and I could have just bailed and settled for whatever loot we had in our hands. We had already sold most of our holdings and everybody had taken their fair share and stashed it away in convenient and sometimes exotic jurisdictions.

Fortunately, Hong Kong rules when applied correctly, allow you to fleece investors out of their money, launder the proceeds and leave the lawyers to handle a few pesky class action suits before filing for bankruptcy.

We couldn't all rush for the exit at once. To avoid raising red flags, the final act had to be properly choreographed. Everybody was itching to bail and the question was one of timing. The first to go are the internal agitators and nervous nellys. When necessary, you just shove them out the back door.

With proper incentives, Wayne Pratt had kept his trap shut and seen his way out the back door. Sollitto had also taken measures to wind down his money losing operation in Tempe, Arizona and had already distanced himself from day-to-day operations by resigning as CEO. Sollitto was still the cat on a hot tin roof. He couldn't play by Hong Kong rules because he wanted to retire and play golf in Tempe, Arizona. I was now in full charge of the ship and my partners and I were ready to make a mad dash to a bankruptcy court in Delaware.

Bidding Sayonara to Disgruntled Shareholders

Coming out of the shadows was a very short lived experience for me. On September 30, 2007, I had taken over the helm of the company. As CEO, I had already arranged for SCHOT to pay its past-due balance and I had permanently taken care of the commercial bankers at Preferred Bank. The only people I had to answer to were Silver Point and shareholders who really didn't factor into the equation. I'd also have to sort things out with my auditors and lawyers. If you don't have everybody on board, you're busted. The only constituency you never ever have to worry about are the shareholders.

The way we handled the annoyance of frustrated and inquisitive shareholders was to direct them to our very patient investor relations staff. SBC had already hired capable corporate imaging consultants from FTI Palladium. With a combination of a few well-timed new product announcements and a few positive quotes from Sollitto or your humble scribe, we were able to keep the angry herd from assaulting SBC's ramparts.

The worst small investors could do to me or other SBC employees was to swear at the investment relations specialists, dump their shares and threaten to file a class action suit. Our staff was directed to hang up on abusive shareholders and call the police if anybody so much as threatened to sneeze at them. The only other alternative for shareholders was to wait for the golden September numbers.

By the time of the last conference call, the shares had been trading under \$5.00 for a few weeks. The extreme volatility had shaken out the weak hands and sent virtually every single institutional investor scrambling for the exits. SBC's officers and directors had already disposed of most of their holdings and the 93 million outstanding shares were entirely in the hands of retail investors. . . .

My Elmer Gantry moment came in a company conference call to review the September numbers. The analysts that dialed in weren't the brightest bulbs in the room. They walked away scratching their heads on how we managed to borrow \$150 million dollars six weeks after all the commotion generated by the Merrill Lynch downgrade.

What I reported to shareholders was that SBC had signed a new partnership with Olevia Far East, an entity that would take over marketing the Olevia Brand in Asia. I also pointed out what they

already knew – that Silver Point and Citicorp had extended SBC a 150 million dollar loan in addition to a 100 million dollar credit line. We had used the proceeds of the loan to pay off the \$80 million Preferred Bank loan and the rest would be used to help SBC execute on its business plan and manage its growth. Over 120,000 TVs had flown off the shelves on Black Friday. Orders were pouring in from all channels for all screen sizes. We were increasing our prices and expected our gross margins to increase from 14-16% to 15-20%. SCHOT had paid up on all overdue invoices. The Accounts receivables had declined from 123 million to 92 million. Not a penny of revenue had been written off as bad debt. Some of the numbers were real and some of them were not so real but that's the very essence of securities fraud and that's the Kool-Aid I offered to investors on November 14, 2007.

When the issue of the decline in the price of the stock was raised, I just pointed out that SBC was executing on its business plan and trying to adjust to the rapid growth in our Asian and North American markets. The only reason the price was compressed was because of the short attacks staged by unscrupulous hedge funds. And the only way to beat them back was to continue to successfully manage our rapid growth.

We had one more bit of information for the true believers. The audited December numbers would be released on February 11, 2008. Shareholders never heard another peep from me. We were about to turn lights off; it was Sayonara baby for the retail investors who had no clue what was going on under the cover of darkness.

Compromising with Uninvited Predators

The announcement of the Silver Point loan had excited the market and allowed us to regain our balance. We had hoped that the announcement would take us above the \$5.00 mark but, with every rise in the share price, the sharks would immediately move in and short the stock. October 8, 2007 was the last day the stock price closed above \$5.00.

I had expected my Elmer Gantry routine to inspire the faithful and rally the price of SBC shares. Maybe it was my lack of charisma. I've never been accused of flamboyance but there was definitely something else going on. Instead of succumbing to what I expected would be a short squeeze, the sharks responded by shorting even more SBC shares.

Thomas Chow and I had our own pump and dump operation set up to take full advantage of the wild swings in the SBC's stock price. One of the advantages we had over the sharks was that we had inside information and control over SBC's investor relations department including the timing of favorable press releases. Whoever the uninvited guests were, they weren't buying into our narrative. These predators knew something with absolute certainty and it was obvious that they had noticed us quite a bit sooner than I noticed them.

If you do not respect an opponent's talents, you could easily end up with an avoidable collision. What was clearly evident is that some anonymous sophisticated parties were deploying exotic new school trading tools and acting like they were pretty certain that SBC was on its last leg.

I had to assume a worst case scenario. Somehow, the sharks had figured out that insiders were manipulating the share price. They had already detected that some opposing force was also painting the tape with some pretty damn awesome trading tools.

I could school the savviest investors on a number of ways to manipulate stocks. These operators were of an entirely different pedigree than the first swarm of short sellers. Did they realize that insiders were also deliberately steering SBC into a dark iceberg infested zone that led to a steep plunge off a cliff?

The mysterious intruders had done their homework. For them, the rest was just a matter of financial mechanics. They were using the same trading tools we were using and then some. In fact, when it came to options and naked shorting, they were executing financial maneuvers using an arsenal of tools that would only be accessible to hedge funds that had discreet relationships with brokers.

If you know with any degree of certainty that a company's shares are about to plunge, there are quite a few ways that a less than honorable man can profit from that information – especially if it was privileged information in the hands of a select few who have ample financial resources to take full advantage of the situation.

This is where raw avarice comes into play. Everyman is greedy for the occasional good meal but there are gluttonous souls who overindulge their avarice all the way to the grave. Speaking of graves, there are certain hedge funds that specialize in financing the funerary rites for corporations on their last leg. One of those hedge funds is Silver Point.

Anatomy of a Death Spiral Loan Agreement

By the time you go cap in hand to Silver Point, they've already taken an interest in your company's affairs and by the time you ink an agreement, they would have already done their due diligence and decided that SBC was an easy mark for their extortionist interest rates.

The deal I gave the wizards at Silver Point or the deal they thought they were stuffing down my throat included humiliating concessions for any self-respecting public company. I played the role of an anxious CEO who was scrambling to get things under control and was willing to take drastic action to turn the ship around.

SBC's only problem appeared to be access to financing and occasional hassles in collecting from the Hong Kong distributors of its attractively priced Olevia branded products. Even though SBC never made a late payment on the Preferred Bank loan, our current commercial bankers had

overextended themselves. Preferred Bank had made a great contribution to our success but it was a small regional bank that could not continue to meet SBC's financing needs as we continued to grow our market share.

The all-knowing titans of the hedge fund industry appeared to imbibe that narrative like it was the gospel truth. If you went by our audited books, the numbers made sense and that story line added up. The Goldman Sachs pros bit on the same lure that I had used to reel in Preferred Bank and Merrill Lynch. They had reviewed the same audited numbers in the Securities and Exchange filings and the same tax returns. In fact, they had reviewed the September numbers long before I dazzled shareholders with my Elmer Gantry swan song.

Silver Point's professionals had a chance to go over the numbers with our auditors and talk to the folks at Target and Circuit City about the prospects for Black Friday sales. They had looked over the books of Vivitar, an SBC subsidiary, and they were in perfect order.

As I demonstrated above; class action suits are a certainty that cannot be dodged because it satiates the appetites of lawyers who want a steady source of income by taking generous monthly nibbles out of the D&O insurance policy. As long as every lawyer on each side gets a bone, they won't bark or bite.

Silver Point must have seen the writing on the wall and could not have been surprised that class action lawsuits were soon to follow. But one should never proceed with any kind of certitude about what an adversary knows or does not know. Sometimes your opponents get careless and sometimes they act stupid and you just have to make a judgment call on whether they are idiots or snakes. It is also advisable to probe the true motives of your foe because, chances are, you're not the only party who shows up with a few cards up their sleeve.

The other thing that could not have escaped Silver Point's attention is the sharks. Did Silver Point know the identity of the strangers in our midst and what did they make of their seemingly irrational behavior and their obsession with shorting SBC's stock.

When somebody you don't even know has something on you, it can be very unnerving. But once you understand that they are only muscling in on your territory to get their fair share, you have no option but to let them play their best game. Was Silver Point and associates part of the herd of unknown intruders? Were they shorting the stock before we even inked the deal? That's what they usually do. I don't have access to their trading records and I've never had cause to inspect them and Silver Point doesn't share their trading records with outsiders who have no business snooping into their affairs.

Borrowing from Hedge Funds

When it comes to borrowing, companies are just like people. If a citizen has good credit, they go to their local bank and get a credit card or line of credit or car loan. If they've neglected to make

a few payments, the banks will still lend them but at a higher rate. And if the banks won't lend them anymore, they go to Payday loans and pawn shops.

With the Merrill Lynch fiasco, our name was mud on Wall Street. Even after SBC paid off the \$80 million Preferred Bank Loan, none of the big commercial bankers would touch us especially when there was clear signs of dry rot in the foundation of our house. They certainly wouldn't have given us anything close to \$150 million and we would have eventually had to pay it back just like we had to pay Preferred Bank back and they wouldn't be as discreet as Preferred Bank.

So we were destined for a rendezvous with Silver Point - the financial market equivalent of a pawn shop that engages in a bit of fencing on the side. For me, Silver Point would prove to be a pliant ally on our last leg of a three year journey to a bankruptcy court in Delaware where the brilliant forgeries and the Secret of the Inner Sanctum would be forever buried.

What the Goldman Sachs guys couldn't have known was that I came visiting with the Secret of the Inner Sanctum intact. Even if they had detected a faint scent of the invisible elephant in the room, they could not have properly gauged the size of the elephant. The worst they probably suspected was that we were doing a little channel stuffing in Asia. Again, I was never quite certain what Silver Point knew or didn't know and they didn't keep me updated on their trading activities.

But Silver Point had a weakness - they couldn't have anticipated that I would double cross them anymore than I could have anticipated that they would double cross me.

In fact, Silver Point thought they couldn't be double crossed. They were major players in the casino business in Macau and dealt with the highest levels of the Chinese Government.

I made an assessment that, with the proper alignment of interests, Silver Point would hesitate to bring any controversies to the attention of the authorities on either side of the Pacific. Whatever Silver Point knew or whoever they knew wouldn't make much of a difference so long as I could convince them that we were on the same team.

As you might have noticed, I study my foes with an understanding and compassionate eye. Nobody ever makes enough money but most people will only go so far to satisfy the primal craving for excessive wealth. At some point, some folks just want the numbers to get bigger. If you ever saw the raw hunger in a hedge fund manager's eyes, you would begin to comprehend why some very rich people take extraordinary risks to get much richer much quicker.

Mingling With the Aristocracy

Goldman Sachs bankers never retire; they move to Greenwich, set up hedge funds and acquire suitable nearby accommodation in fifty million dollar estates on the Long Island Sound.

Silver Point is a unique kind of financial animal – a predatory hedge fund that prowls the corporate mortuaries to salvage the skin off of the cadavers. How many hedge funds staff their offices with sophisticated corporate bankruptcy lawyers? How many of them hire compliance lawyers straight out of an obligatory stint at the Securities and Exchange Commission?

The guy in charge of legal affairs at Silver Point was Fred Fogel, a Harvard Law School graduate who had clerked for the Hon. Gary Stein of the New Jersey Supreme Court and then went on to acquire an impressive twenty year career serving various hedge fund masters. Let's just say he was well acquainted with exotic financial transactions. Prior to joining Silver Point in 2005, Fred Fogel was a Managing Director and the General Counsel of Ziff Brothers Investments, a private family investment firm with several billion dollars of family money under management. Fogel was a seasoned veteran of the seedy side of the financial markets.

Why would a hedge fund need such incredibly gifted in-house counsel? The reason Silver Point has dire needs for such expensive talent is that many of the companies they lend money to have a nasty habit of ending up in Bankruptcy Court. Either Silver Point has made some of the dumbest bets over and over again or they've figured a way to capitalize on a bad situation. Silver Point had \$5 billion dollar under management in 2008 and came out of the Great Recession without a scratch to emerge as a \$10 billion dollar hedge fund. That should tell you something.

How do they make money out of financially troubled companies? Well, they start by lending distressed companies money at usurious rates and end by dragging them to bankruptcy court and stripping them of all their assets. And while they're at it, they short the crap out of the stock.

Silver Point is a registered investment adviser specializing in credit and "special situation" investments. What's more, the firm is run by two Goldman Sachs pros, Edward Mule and Robert O'Shea – two of the titans of the hedge fund world who cut their teeth at Goldman Sachs handling the distressed Asian investments portfolio. In 2014, Silver Point was ranked No. 1 overall in Institutional Investor's annual Hedge Fund Report Card survey. In the hedge fund industry, Edward Mule and Robert O'Shea are gods.

Together, Edward Mule and Robert O'Shea owned 40% of Silver Point. A good chunk of the \$150 million we borrowed came right out Mule and O'Shea's personal fortunes and the two gentlemen from Greenwich fully expected to get their money back.

Silver Point's unique talents for earning spectacular returns attracted some very sophisticated investors - including some very wealthy and powerful clients and other predatory hedge funds. To say they were well connected would be an understatement.

At any one time, O'Shea and Mule might be managing the portfolios of fifteen to twenty-five very sophisticated and very discreet clients. In the Securities Fraud Industry, hedge funds invest in other hedge funds and billionaires working a racket team up with other billionaires who can't resist the allure of a little fencing. These are men who are very well acquainted with each other and many of them live and breathe the rarified air of Greenwich, Connecticut.

As you shall see, some people always get their way. It's not the way it was meant to be but it is impossible to build a Securities Fraud Industry on this scale on pillars of accountability. And don't start preaching to me about the constitution and the law. The lure of white collar crime is that it's fairly easy to get away with and in the unlikely event you scheme is exposed, you will come before sympathetic judges who are easily swayed by your lawyer's diction, charm and social pedigree.

As a hedge fund catering to the insanely rich, Silver Point was virtually unregulated and could engage in any kind of transaction from angel investing to buying stocks and options to shorting stocks to playing commodity futures and currency speculation to uncovering hidden value in complex multinational corporate bankruptcies to outright larceny.

People who live in glasshouses should never throw rocks. My intent here is not to throw around names or point fingers or condemn anybody or disparage Mule and O'Shea. I just want to give you an idea of the caliber of the people I offered a limousine ride to. Of course, when I picked them up I had no choice but to take Mule and O'Shea on a spin on my moped because the limousine was accident prone and no more than a figment of their imagination. Before the ink was dry on the Silver Point loan agreement, I had already made the decision that I would burn Silver Point.

By early December, the gentlemen from Greenwich knew that they had a little problem with James Li and associates. They barged into our offices with their financial wizards and started taking control of the cash flow and strong armed SBC into hiring outside consultants from FTI Palladium to try to figure out where all the money went. At this point, Greenberg Traurig volunteered to take care of the final burial arrangements. I was now going to embrace Silver Point and my lawyers in a carefully choreographed synchronized dance that would end with us singing the same tune in unison in front of some judge in Delaware. It was time to retreat behind the thick satin curtains and jointly administer the last rites to SBC. To wrap up the final deal of the perfect billion dollar scam, SBC was going dark.

Hiring the Right Lawyers

To steal a billion dollars, you're going to need lawyers – lots of them. You need the best lawyers – the kind of lawyers that are willing to stick their necks out. The kind of lawyers who are above

Copyright © 2016 Ahmed Amr. All rights reserved worldwide. **64** | Page

the law and can get away with filing anything you want them to file. The kind of lawyers who can structure any financial transaction to make it look perfectly legitimate or, at least, borderline legal.

You need mob lawyers. By that, I mean you need lawyers who have special dispensations to stride the courts of the republic waving their carte blanche to pulverize all legal adversaries. Like the lawyers you read about in a John Grisham novel – only less provincial and infinitely more intimate with people in high places. You need the kind of lawyers who buy congressmen, get their way with judges, have influence with regulators and can convince the United States Attorney General to put the lid on an investigation.

Those who still have dim recollections of the Jack Abramoff bribery scandal might recall that Greenberg Traurig was Jack's home while he was wining and dining his pliable congressional pals.

In the Securities Fraud Industry, the path to success is paved with the papers your lawyers file on your behalf. When you have the right lawyers, you can file just about anything and expect zero scrutiny from the authorities.

These kind of lawyers don't come cheap and they need to walk away with the compensation they are perfectly entitled to. Just pay them and pay them well and they'll do the heavy lifting. The more they have to lift, the more they get paid. In fact, they'll take any business you can throw their way – for \$800 an hour.

You want lawyers that are too big to go up against and too big to sanction - lawyers who know exactly how to assemble a credible combination of legal mumbo jumbo to cover up a billion dollar heist. If I had to do it all over again, I'd still go with Greenberg Traurig, the biggest law firm in the United States of America. They have 1,800 lawyers on staff and can handle virtually any transaction you need.

I don't want to be seen as billboard for Greenberg Traurig. I understand why they threw me under the bus. It was the right thing to do – for them. Other than that, they were indispensable. They walked to the edge of the abyss for me and my partners. You can't reasonably ask for more than that.

Greenberg Traurig has a Mergers and Acquisitions practice that helped me acquire my sticker symbol and set up shop as a registered publicly traded company. Once I had a ticker symbol in hand, I was good to go.

As I moved along, Greenberg Traurig provided SBC with securities lawyers to finalize the legal paperwork on PIPE transactions executed by TCV, a Taiwan firm owned by the Wu Clan. The TCV transactions were a clandestine way to issue a few million shares. We raised \$50 million just by issuing shares to TCV and Westech, a TCV affiliate in Singapore that the Wu Clan also controlled. The Wu Clan would buy a few million shares wholesale and then turn around and dump them on retail investors a few weeks later. It was one of the easiest ways to dump shares on the market

and enrich SBC's coffers. When SBC got cash, I got cash and I was more than happy to allocate a fair share to all parties involved, including SBC's counsel, Greenberg Traurig

You don't want to do too many PIPE transactions and your lawyers will alert you when you start pushing your luck. And, of course, the accomplices executing the transaction also have to be confidence men and privy to The Secret of the Inner Sanctum. We executed two of these PIPE transactions with the Wu Clan; it was about the slickest way to suck in millions of dollars with an industrial strength vacuum cleaner. That's the kind of mischief lawyers can help you get away with.

Greenberg Traurig lawyers were also involved in preparing and filing all the quarterly statement with the Securities and Exchange Commission. And Greenberg Traurig took no hostages when they represented SBC and its officers in the pesky class action law suits in Arizona.

Greenberg Traurig helped us merge with Vivitar and then engineered the Vivitar spin off. The Vivitar transaction was essential for us to project a hologram of a diversified multi-global company and didn't cost us a cent. It's one of the bits and pieces of the Hologram I was building to execute the SBC bankruptcy transaction and I will explain the critical importance of the Vivitar transaction as I exit the stage.

Greenberg Traurig was also our in-house counsel. Their lawyers even attended our board meetings and acted as board secretaries and drafted the minutes. If anybody from the government came snooping around, Greenberg Traurig knew how to show them the backdoor. In the Securities Fraud Industry, the cops usually find their own way to the backdoor and, chances are, they won't come knocking.

Your last worry is the SEC or the Justice Department. Believe me, they're taken care of and I am living breathing proof of that. I didn't pay those regulators to look the other way and I've never met that judge in Delaware. The way it works is this - my lawyers secure the favors of public officials wholesale and offer them up to guys like me at exorbitant retail prices.

The secret to my success is hiring the best lawyers and the worst auditors and letting them know who the boss is. They want your business more than you want their services. If you are willing to dole out twenty to thirty million in legal fees, you'll get the nastiest lawyers on Wall Street and they'll do just about anything for you. You just get them to cross the line once and then you own them. You still have to pay them but then you get to play them. They're still entitled to their fair share but they go from being lawyers to being accomplices. And that's just where you want them.

A Safe Landing in Hong Kong

I'm not one to give travel tips but I guarantee you that the Hong Kong skyline dwarfs your imagination. If you ever decide to visit, land on a clear night. Just the sight of it gives you a jolt of energy.

My mind often drifts back to the magical moment I strapped on my golden parachute and gently drifted to a safe diamond studded landing pad in my favorite city on the planet.

Hong Kong doesn't just exist in a different time zone – it exists in another age. As a random outgrowth of a British colonial experiment, it doesn't really have much of a history. In Hong Kong, the recent past is subject to dispute and has no relevance to the future.

Hong Kong reincarnates itself so frequently that it becomes absurd to dwell on a short fragmented past tainted by China's civil wars, British imperial overlords and Japanese invasions. It was Hong Kong that schooled the old commies in Beijing in the intricacies of the global financial markets and, in the process, Hong Kong emerged as a peculiar autonomous zone with its own currency and its own financial market and its own set of rules. Hong Kong's short history is dead in the memory of those who have only been exposed to Hong Kong reincarnation as the Alpha city of the known universe. If it's money you're after, it's just so much easier to make it in Hong Kong.

For three long years, I had waited for this moment; a safe landing in Hong Kong with bags full of plundered loot and a reputation for business acumen. I was floating on air and drowning in money.

I still had my corporate credit card but I wouldn't have it much longer. I was, after all, still the CEO of SBC and had an obligation to keep up appearances. Besides, what difference would it make? The company would be filing a Chapter 11 in a few months. The date hadn't been firmed up but my lawyers were in the process of laying down the road map to the bankruptcy court in Delaware.

I'm a bit of a history buff myself and I've always had a fondness for posh places that serve Afternoon Tea in the lobby. The Peninsula Hotel promotes itself as the Grande Dame of the Far East, an oasis where one can indulge in a little of the romance of the colonial era. Besides, I had an unnatural urge to splurge and the Peninsula Hotel offered up the perks that delight the very rich which suited my status as a newly minted member of the nouveau riche. I've been well off and I've been filthy rich and believe me filthy rich is better. So I started behaving the way the wealthy do and took a tower suite with a breathtaking view of Victoria Harbor for an indefinite stay.

I don't like being a familiar face and I don't need anybody to fuss over me but when you have money coming out of your ears, luxury is seductive and my great sin is that I easily succumb to temptation. There are moments in each life that sparkle above all other moments. This was the first time I could breathe easy and know with absolute certainty that I was a free man in Hong Kong with millions of dollars stashed in off shore banks in the Caribbean. I had arrived at a milestone beyond which no one could ever lay a finger on my living breathing body. The only legal liability I had incurred along the way was the class action lawsuit in Arizona and I knew how that would turn out.

I had arrived in safe harbor and, from there, the sprint to the bankruptcy court was something I would manage by remote control. And where I had no control, I made certain that I left the final formalities in safe hands.

There were a few odd details to take care of – a few papers to sign – a few nervous nellies that needed soothing words to calm their nerves – a few more documents to forge to try to allay the concerns of auditors. A harbor view suite at the Peninsula Hotel would sooth my soul for a few weeks while I meticulously plotted the final leg of the journey. It was money well spent.

Everything was falling nicely into place but I needed a safe place to pace. With Hong Kong rules, there is no room for error and I can assure you that if something can go wrong, it will go wrong.

I won't deny that I spent a few of those days biting my nails and a night or two biting my pillow. Some days, I would step out of my suite but most days I was glued to my screen or fielding questions from the auditors, the lawyers and Silver Point. In hindsight, the expansive view and the elevation of my room might have accentuated the edginess of some very dark and despairing moments the likes of which I have never endured.

While the specter of success loomed large, the fear of discovery was elevated by the sheer number of actors who could expose the forgeries starting with those sixty class action lawyers in Arizona. It wasn't a rational fear but then again most fears are just fears. And you could never entirely discount the possibility that the Securities and Exchange Commission might make an exception of SBC and decide to intervene and take a closer look. Even though Greenberg Traurig managed to eventually shoo the regulators away, I never count my chickens before they hatch.

When you have fears, they are best nursed in a safe jurisdiction. Once I landed in Hong Kong, I knew I would never see the insides of a jail cell. That sinister specter was forever banished from my mind. What I needed now was to keep matters civil and negotiate terms of disengagement with all concerned parties. With the bankruptcy, I would shed all obligation to make restitution to shareholders and so would everyone else. If that was not possible, I knew I could manage living in Hong Kong.

The Dark Period

I cannot tell you everything that happened during the dark period because, for much of the time, I was out of the room. In fact, for the most part, I was out of the country taking care of urgent business matters with the usual suspects - our Taiwan and Singapore suppliers and Hong Kong distributors – Christopher Liu, The Wu Clan, Thomas Chow and one of his lieutenants, Stanley Chan.

I am therefore obliged to limit most of this narrative to how I played my game and what it took to negotiate and execute the bankruptcy transaction with predators like O'Shea and Mule.

When gorillas come at you with brass knuckles, you have to offer them incentives to play nice and that starts with incriminating them. You can't just seduce them with temptation, you need to appeal to their inhibitions.

I can't say I know Mule or O'Shea in any meaningful way. I only dealt with their subordinates who were well informed of Silver Point's rules of engagement.

When you're borrowing money from the number one hedge fund in the country, you really need to do your homework on the big chiefs. What I discovered to my astonishment and delight is that Mule and O'Shea live very private lives in the splendor of Greenwich, Connecticut – the Versailles of the aristocracy of the Securities Fraud Industry. These were the kind of men that seek fortune and have no use for fame. If they get a hedge fund industry award, they might utter a sentence or two for public consumption but they're not looking for public endorsement or acclaim. They just want to make more money faster than the other guy.

Silver Point is a name that strikes revulsion in many people who have been on the wrong end of their death spiral financing agreements. They don't just go after the scalps of shareholders, they're the ones who turned off the lights at Hostess when the unions wouldn't grovel before them. And the man they brought in to turn off the lights on Twinkies was Gregory Rayburn, the same man who busted the unions at Off Track Betting. I'll just say this for now - when you see Silver Point and Gregory Rayburn teaming up – you need to keep a safe distance. By safe distance – I mean like being on the other side of the world and, even from that distance, you'd best be ready to make them an offer they can't refuse.

The Deal I broke with Silver Point

As you might expect, Silver Point exacted a stiff price for writing me a check for \$150 million. The loan agreement with Silver Point involved issuing them five million shares for one red cent a share.

Silver Point didn't come alone. As a way of leveraging their bet, they were acting as agents for a syndicate of creditors including Citicorp. In addition to spreading their risk, Silver Point could posture as just one of many parties involved in putting together a \$150 million loan. This entitled them to claim a commission for putting the deal together. For their troubles, they got to buy shares with a market value of nearly \$25 million for the princely sum of fifty thousand dollars. So O'Shea and Mule handed us a \$150 million dollars with one hand and dumped their shares for who knows how much with the other hand. On top of that, they got an \$8 million dollar fee to close.

Off course, Citicorp came along for the ride for the usual reasons money center banks sign up for a drive-by shooting of vulnerable shareholders - the promising allure of usurious interest rates. The Citicorp bankers who took a slice of the Silver Point death spiral loan would end up getting

the same obscene interest rate that Silver Point had negotiated. The loan started out at 13% and due to some pretty exotic default clauses quickly ratcheted up to 17% and that doesn't even take into account the grotesque late penalties and other fees.

Now remember that we signed off on the Silver Point loan on October 30, 2007 when the Bull Market was sitting at its peak and the Dow was hovering around 14,000. As everybody was soon to find out, it was the tail end of the exhilarating days that preceded the 2008 crash.

When we signed the loan, banks were still issuing "No Income – No Job" loans. Anybody with a pulse could score a zero down variable Ninja loan to buy a house they could never afford for an obscenely inflated price. The bankers didn't care if the loans would eventually default. They just wanted their closing fees. After that, they turned around, securitized them and dumped them on institutional investors who passed the bad paper onto their clients.

Again, I'm not playing mister innocent and claiming that everybody was engaged in some manner of financial chicanery. For one thing, that's not a defense that would stand in court. I just want to point out that O'Shea and Mule charged us a very stiff double-digit interest rate in a market where banks were stuffing mailboxes with zero percent credit card offers.

Not only that, the Silver Point loan was supposed to be for five years. Conveniently enough, it had built in fail triggers and they were set to kick off fairly quickly. So the loan wasn't exactly amortized like a car loan. Silver Point, after the first default, was entitled to step in and accelerate the pace of collecting its loan and that allowed them to have oversight over the company's internal operations.

By the time SBC filed for bankruptcy, SBC had already paid the Silver Point loan down by \$38 million in addition to paying nearly \$15 million in interest and penalties. So, if you add in the \$25 million they pocketed when they dumped the 5 million shares, they had already recovered \$78 million right there. And on the day SBC filed the chapter 11 petition, they stood in front of the bankruptcy court asking for another \$112 million. They had lent SBC \$150 million and were expecting to get \$190 million back in nine months and that doesn't even include the money they made by shorting SBC's shares.

This much I knew about the law – if Silver Point had picked up the phone and reported James Li and associates to the authorities, they would have had to give up the \$40 million dollars in commissions and interest and cough up all the money they made shorting the stock. Moreover, the matter wouldn't have ended up in Bankruptcy Court; it would have resulted in a whole bunch of indictments being handed out by the Attorney General. If they had dared to hand me over to the authorities, Silver Point would have risked more than losing their gains; they would very likely have been compelled to forfeit all or part of their original investment.

It goes without saying that sophisticated financial players like Silver Point know the many legal remedies available to thwart guys like me. But the gentlemen from Greenwich couldn't very well

call the local police and complain that they had lent money to James Li and James Li turned around and used the money to defraud investors. Silver Point would never have passively stepped aside and waited for law enforcement officers to do their thing. Because the first thing the government would have done is collect fines and distribute them to innocent swindled shareholders and, then and only then, Silver Point might be thrown a bone.

I can't imagine that O'Shea and Mule are shy but I knew they couldn't handle any kind of publicity and that narrowed their options. They simply don't like outsiders looking into their affairs. Their clients are incredibly sophisticated investors who understand that the two gentlemen from Greenwich are very discrete about their unorthodox investment methodology which involves opaque transactions that are impossible to decipher.

There is another factor that comes into play and this is a judgment call because I never had anything on the order of a personal relationship with O'Shea and Mule. That said, just because you haven't walked in a man's shoes doesn't mean you can't get inside his head.

The first thing I want to know about an adversary is where he lives, his education, what kind of work he does and, most vitally, his social pedigree. With just a few snippets of information you should be able to narrow people down to a coherent stereotype.

When you are operating a confidence game, everybody that imbibes your hologram is an adversary. Whether you feed them the Kool-Aid hot or cold depends on the occasion and the tastes of your prey. And, if by chance, you have an antidote for the poison they just swallowed, your victims can be persuaded to be extremely cooperative. You don't have to promise them the moon; just the possibility of a decent recovery will do.

I imagine that by the time they got a whiff of the bad news, O'Shea and Mule were knocking some heads against the wall and it's a safe bet that they started with their own heads before proceeding to scalp their subordinates who had been taken in by a son of a Baptist preacher from Taiwan. Silver Point's financial goons thought they could get the best of James Li but were suddenly waking up to the reality that Hong Kong Rules were in play.

If you take compounding into effect – Silver Point's APR was north of 40% by the time it walked into that Delaware court. It's true that SBC only paid 17% on the loan. The real commission came from the 5 million shares and the guys who picked up that \$25 million tab were the shareholders who were on the buying side of that transaction.

Robert O'Shea and Edward Mule are not the kind to give the house away. In fact, they're quite skilled at economic arson and are content to burn down other people's houses in the normal course of business.

O'Shea and Mule's peculiar trade involved practicing their craft in the dark and intriguing confines of the Securities Fraud Industry. The business analysts and seasoned bankruptcy and securities attorneys that toil under the guidance of O'Shea and Mule were recruited from a small

select pool of daring Wall Street investment bankers who believe that Goldman Sachs investment bankers are too constrained by the suffocating burdens of scrutiny and transparency.

With the collective expertise of these in-house professionals, Silver Point had already done its due diligence. They knew the Golden September Numbers weeks before they were announced to shareholders. So they had insider information when they cut the \$150 million deal. Not that this would concern anybody. They were operating in the dark in an industry where deregulation had allowed Madoff to thrive under the glaring lights for three decades. To put it kindly, Silver Point and Citicorp were operating under cover of lax laws that are rarely enforced.

Once you sign a deal with Silver Point, you get to enjoy the regal privilege of being immune from law enforcement – that is if Silver Point agrees to share their blanket immunity. And in this case, I had the additional layer of immunity that came with the alignment of common interest with Citicorp.

I needed to cut a final deal that would relieve me and my partners of all legal obligations to SBC shareholders forever and that meant for life. For a start, I had to close on a deal that destroyed all evidence of the forgeries and erased all traces of financial shenanigans. The forgeries were part of the books and records of the Olevia operation in the City of Industry and were legally the property of SBC. They were still there in the files. I couldn't very well destroy them and I couldn't just stuff them in a suitcase and walk out the back door.

The final transaction of my diabolic billion dollar heist required that I walk the SBC hologram through bankruptcy court without the judge taking notice of the forgeries. We were going to do this in the simplest and most elegant way. We were going to have the judge approve a court order that would transfer the actual forgeries uninspected to the Wu Clan. With that bold stroke of genius, the Wu Clan would have the exclusive right to burn the forgeries or dump them in a trash can or keep them as personal souvenirs. Once the forgeries were properly disposed of, my crew would shed all legal liability to shareholders and walk away with the Secret of the Inner Sanctum and nearly a billion dollars.

That took some agile maneuvering, delay tactics, more forged documents, more false narratives and I was content to let Silver Point take its own sweet time to get over their denial, get with the program and play by Hong Kong Rules and on my turf.

The James Li Gang and the Art of Looting

SBC was not just a shell company. It's impossible to sneak a shell company through Bankruptcy Proceedings. We didn't build a shell; we built a hologram with an alluring and tangible edifice – a money-losing North American distribution channel for Olevia branded HDTVs.

SBC was a company in the branding business that operated with a virtual manufacturing model which meant that the real work was outsourced out to Solar Link and other contractors. Except for design, marketing and distribution, everything was farmed out to a few carefully selected Taiwanese private corporations. Even our research and development work was outsourced to Digimedia, a company run by my brother-in-law, Harry Liu. As you probably already suspect, Digimedia was owned by TCV and Kolin and, at one point, I was a Digimedia board member.

I didn't just make deals with bankers and Greenwich hedge fund managers. I built a real company with tangible assets engaged in a real business that was building a formidable brand name in the HDTV business. In fact, SBC did not engage in just one line of business, it had also acquired Vivitar in November, 2006. Vivitar was already a familiar brand name to serious photographers. Even after we completed the merger, the Vivitar operation was as a stand-alone subsidiary with its own books and records and I had no interest in messing with their books. Vivitar's management reported their numbers directly to SBC's Chief Financial Officer just like I took care of reporting the Olevia numbers to Sollitto and the Tempe Amigos.

On the way to bankruptcy court, I had to shed assets as quickly and innovatively as I could. By assets, I mean I had to start bringing down the fabricated Golden September Numbers which we had filed with the Securities and Exchange Commission on November 14, 2007. Just as I had used forgeries to inflate SBC's sales and assets, I would now use forgeries to deflate them in a manner that would allow the company to declare bankruptcy and emerge as a privately held corporation owned entirely by the Wu Clan.

When you play by Hong Kong Rules, the one thing you absolutely have to do is obliterate shareholder equity. The Golden September Numbers were simple. SBC's reported that we had \$550 million in assets and \$227 million in liabilities, giving SBC a book value of \$323 million. The dark period compelled me to take a few audacious measures to drive SBC into deep insolvency so we could sprint to the bankruptcy court in Delaware. I ended up booking \$407 million in losses in nine months. How does one man lose \$50 million a month? It certainly takes talent and a little bit of advance planning.

The Olevia operations were all mine. Over three years, I had used forged invoices and purchase orders to rig the books to look like the North American Olevia sales were profitable. I had also produced all manner of forged documents to give the illusion that the Olevia brand had successfully penetrated the Chinese market where sales were growing astronomically.

To rig the North American sales numbers, Kolin would send SBC a large rebate check at the end of every month signed by the man from Kolin - Christopher Liu. We called it a price protection rebate. It varied from month to month depending on what we wanted the quarter-end numbers to look like. The Kolin rebates covered our burn rate and made our North American sales look sufficiently profitable to entice the bankers.

One thing that happened after we turned off the lights was that Christopher Liu stopped sending SBC those monthly rebate checks. This meant that SBC would have to eat all the losses. If I was going to erase a few hundred million dollars of equity from SBC's books, I would need to rack up some serious losses and I wanted them to be as big as they could plausibly be. I did not lie when I reported that Olevia sold 120,000 units in Black Friday. What I didn't say was how much SBC lost on each set.

Another way we booked losses was by writing down inventory. We had promised shareholders that we would report our December earnings, which included the spectacular Black Friday Sales, on February 11, 2008. That day came and went and we duly informed shareholders that "the company needs additional time to complete its financial statement for its second fiscal quarter that ended December 31, 2007" and that "no date has been set for the second quarter release."

We never did release any numbers or file another quarterly report with the Securities and Exchange Commission. The last numbers investors got were the Golden September Numbers.

While we were at it, we offered shareholders a glimpse of another unfortunate development. SBC was writing down \$99 million in inventories because a deal had gone sour involving the sale of 26,000 custom made HDTVs to the Chinese Olympic Committee. SBC had negotiated a deal to buy the custom TVs back from the Chinese government but had to write down the SCHOT receivables by \$99 million.

Of course, we filed the obligatory one page SEC filing. With less words than it takes to pen a Dear John letter, I simply erased nearly a hundred million dollars in equity off of SBC's books. There never was any deal with the Chinese government; just some forged documents with signatures from non-existent Chinese officials with impressive titles. To maintain an atmosphere of harmony with our insufferable auditors, I was under constant pressure to come up with new narratives and produce the necessary forgeries to give substance to the evolving story line. But it was never enough to satisfy the Ernst and Young auditors who were obstinately refusing to sign off on the December numbers.

In the same press release, we also reassured investors that the accounts receivables from our customers in Asia had been reduced. SCHOT now owed SBC \$48 million and \$15 million was due from Olevia Far East. If you don't remember Olevia Far East, it's that Hong Kong shell company I set up immediately after the Merrill Lynch downgrade. If anybody had bothered to pick up the phone and call Olevia Far East, they would have quickly discovered that they didn't even have a phone.

On February 11, 2008, the only thing we announced with any degree of certainty was that SBC would not be reporting the December numbers anytime soon. That was it for small investors who had a clue – they scurried for the exits and never looked back. By April, SBC stocks was classified as speculative penny stocks. During the last few months it mostly traded up and down for fifty cents to a dollar.

It took a lot of work and negotiations among a number of interested parties to decide to report so much bad news to shareholders in a single press release. Many shareholders had tenaciously hung on hoping to capitalize on a great earnings report that would confirm their faith that SBC was just going through ‘growth pains.’ They had rational reasons to justify their false expectations. They knew SBC had secured a huge \$150 million loan and a \$100 million credit line from Silver Point on October 30, 2007. They knew that we had sold 120,000 units during the same quarter. How could so much go so wrong so quickly and why was it taking so long to give a detailed quarterly accounting?

One of the reasons we gave for the delay was that SBC need additional time in order to “evaluate its accounting treatment related to its tooling deposits.” Conveniently, we had no legal obligation to inform shareholders of the nature and size of this ‘tooling deposit’ problem until our auditors figured things out. What shareholders were not told was that the issue was a minor matter of a \$140 million dollars in illicit conveyances we had wired to Christopher Liu at Kolin and entered on the SBC books as “tooling deposits.” We could have entered them as “drooling deposits” or “just fooling deposits” – it didn’t really matter – it was no more than an accounting entry backed by absolutely nothing - just another fabricated number to cover up the wholesale embezzlement of corporate assets that ended up in Christopher Liu’s pocket.

SBC wasn’t legally required to announce the amount of this Kolin accounting ‘discrepancy’ that was delaying their auditors because the auditors had yet to firm up a figure. See how that works. Frankly, the auditors couldn’t wait to see SBC fade away in their rear view mirror. Ernst & Young’s main concern was their own legal liabilities. They had certified the Golden September numbers and then figured out they weren’t so golden. From my perspective, the auditors were neutralized. They didn’t want to get slapped with an Arizona lawsuit like our last auditors. They wanted to see our backs yesterday.

It was Ernst & Young who forced us to release that information. We worked with their auditors right down to the wire and when they realized the numbers were all suspect, they not only refused to sign – they made what they call a ‘loud exit.’ And I made for LAX and was gone by the time SBC released the disappointing news to shareholders.

Giving up Control of a Sinking Ship

As choreographed, On March 24, 2008, John Hodgson resigned as Executive Vice President and Chief Financial Officer and gave up his seat on the Board of Directors where he had served as the Chairman of SBC’s Audit Committee. Hodgson, a hedge fund manager, had arranged and negotiated the fine details of the Silver Point agreement and he was the one had signed off on the Golden September Numbers. Hobson wasn’t in the same league as the Goldman Sachs boy wonders but he was competent enough to negotiate with Mule and O’Shea and he definitely knew how to operate in the dark.

The changing of the guard is a delicate process and has to be executed in a choreographed and very precise manner. The hardest thing is walking away and turning the helm over to capable and trusted hands that would cover your escape from the scene of the crime.

Six months after succeeding Wayne Pratt, Hodgson was bailing out. Two of the Three Tempe Amigos were safely evacuated leaving behind all their worries except for the pesky Arizona class action lawsuits. The only man left standing in Tempe was Vincent Sollitto, the President and Chairman of the Board. Sollitto stayed behind to set up a debt committee with two of the ‘independent’ directors for the purpose of facilitating SBC’s path to bankruptcy.

Christopher Liu resigned on May 30, two days after Thomas Chow walked out the door. Other Kolin Directors also resigned around the same time.

On June 6, 2008, SBC announced that James Li was taking an “indefinite leave of absence” and that Gregory Rayburn would serve as interim-CEO in my absence. He had already relieved me of my duties as Chief Operating Officer on April 16, 2007.

This is not a history lesson but if you look at those dates, you will see a lot of action starting to happen once Gregory Rayburn enters the picture. Technically, Gregory Rayburn was leading a team of “crisis managers and consultants” from FTI Palladium to help us execute our ‘turnaround plan.’ Rayburn was temporary help – a fireman helping us remove the dead rats from the attic without alarming the owners with the news that the roof would soon be collapsing. Rayburn quickly consolidated his control over the company. He was the closer – Silver Point’s chosen closer.

Gregory Rayburn was a trained forensic analyst with a keen eye for accounting irregularities. What made Rayburn different from the cast of this tale is that he wasn’t a lawyer. In fact, he was a fairly capable CEO. The first thing Rayburn did was hop a plane to Taiwan with a small team of his subordinates to inspect SBC’s phantom inventory. He wanted to take a look at what he called the ‘stray assets’ and poke around to see what was and wasn’t real.

The first thing Rayburn wanted to do is sort out the \$140 million dollar tooling deposit with Kolin. And he also wanted to inspect the custom TV inventory that was allegedly returned by the Chinese government. Needless to say, Kolin refused to give Rayburn access to the inventory because it never existed. I tried to explain to Rayburn the facts of life - that Kolin had taken custody of custom TVs because of the unresolved issue of the \$140 million tooling deposits.

I went to great lengths to convince Rayburn of the efforts I had made to persuade Christopher Liu to arrive at an amiable solution. It was worth a try but it quickly became apparent that Rayburn had me sorted out. Not that it mattered because I was still Rayburn’s direct boss and he knew not to force my hand and, besides, he didn’t want to know more than he already knew. What he quickly grasped was that he would be better off asking less questions and demonstrating a suitable lack of curiosity about the stray assets.

When I suggested to Rayburn that maybe we should start inquiring about suitable buyers, I was immediately satisfied that he was a man who understood the value of making necessary concessions to preserve the value of the company. That's when I introduced Rayburn to the Wu Clan and I am happy to say that they quickly reached a consensus on the general parameters of a final deal.

And the final deal was this – John Wu and his son, Michael, two private investors from Taiwan, would buy, free and clear, all the assets of SBC for sixty million dollars to be paid after the deal was approved by a bankruptcy judge in Delaware. Vivitar would be sold in a separate transaction with the proceeds going to Silver Point. The only thing the Wu Clan was willing to leave on the table were the receivables from our North American sales and the Kolin tooling deposits. It was a good deal all around. Everybody would get their fair share and everybody would shed all legal liabilities.

The Importance of the Vivitar transaction

A company that is all hat and no cattle can't pass the sniff test of a beat cop. When a company files a Chapter 11 petition for bankruptcy, there had better be some real assets worth "restructuring" - a word that can encompass all kinds of accounting chicanery designed to shed legal liabilities.

This is not a story that can be told sequentially. The Vivitar transaction was one of the many lures I dangled before the gentlemen from Greenwich. Vivitar comprised a significant part of the SBC Hologram that was very real and very tangible.

By the terms of the loan agreement, Silver Point had a lien against all of Vivitar's assets, a company SBC had acquired two years prior to filing for bankruptcy. To ensnare sophisticated financial adversaries, one must plan in advance for the inevitable trip to a bankruptcy court in Delaware. With the Vivitar deal, I would acquire another good leg for the journey to Wilmington.

Vivitar was a company based in Santa Monica, California and a brief history is in order. Photography enthusiast will immediately recognize Vivitar brand cameras and other optical equipment marketed under the Vivitar brand name. It was actually one of the companies that pioneered the whole idea of marrying a brand to a virtual manufacturing model.

The company was founded in 1938 by Max Ponder and John Best and started out by importing and distributing German manufactured cameras. After the war, the two partners started importing their gear from Japan and, later on, from Taiwan. They were the ones who introduced photography enthusiasts to the Mamiya 35mm cameras and the Kobna 8mm movie cameras.

By the early sixties, the two partners had launched their own "Vivitar" brand to compete with major lens manufacturers. The company commissioned experienced lens designers and top-line

Japanese optical lens manufacturers to produce their lens with unique Vivitar designs. By carefully positioning their limited product line with key photo retailers, they quickly built a reputation for good quality lenses at modest prices. As their reputation grew, many contract lens manufacturer opted to market their products under the Vivitar brand.

With the death of the original founders, the company ownership was transferred to a variety of owners and I ended up buying the company and the Vivitar brand name in November, 2006 – a few months before I closed on the Merrill Lynch deal.

The purchase of Vivitar was a simple transaction. SBC purchased Vivitar lock stock and barrel for \$26 million but there was absolutely no cash involved in the transaction. SBC just issued the sellers shares with an estimated market value of \$26 million.

After I acquired Vivitar, I retained their staff, including their senior management and left the Vivitar operations in Santa Monica intact and completely independent of my Olevia operations. Vivitar did its thing at its old Santa Monica headquarters and I did my thing in the City of Industry running the Olevia operations. Keeping Vivitar as a wholly owned subsidiary of SBC simplified the process of spinning it off in the bankruptcy proceedings.

The auditors never had trouble with Vivitar's books because, as far as I know, they were accurate and reflected the true financial condition of a legitimate eighty year old enterprise that was engaged in designing Vivitar branded cameras and lenses and farming out the manufacturing to Japanese and Taiwanese contractors. With the obvious exception of the forgeries, Olevia's business plan was built to project the same exact business model. The only minor variation between the two business plans, was that I took certain liberties by fabricating the sales figures of Olevia branded TVs.

Vivitar's continues to market cameras and lenses to both amateur and professional photographers. As part of the bankruptcy proceeding, the Vivitar brand was sold to Sakar International, a privately held company headquartered in Edison, New Jersey.

I am partial to simple and elegant design. The Vivitar operations kept their set of books in Santa Monica and I took care of the Olevia books in the City of Industry. With the Vivitar transaction, I was able to vividly project SBC as a multi-national operation that had two subsidiaries that used the exact same virtual manufacturing model for two lines of products under two different Brand names.

For three years, I had fabricated the Asian sales numbers in the inner sanctum in the City of Industry by shuffling the real North American sales with the fake Asian Sales and reporting the combined numbers to SBC's official headquarters in Tempe, Arizona. If you step back and look at the big picture, I had created a financial construct that stood on three legs. The Vivitar leg was a very healthy leg. The Olevia brand North America operations was a badly wounded leg but its books reflected real sales to Big Box retailers. Although it was a money losing operation with

multiple fractures, it could be resurrected with some immediate attention by skilled surgeons. The third leg was SBC's phantom Asian sales and that was never anything but an elaborate hologram that was entirely a figment of my vivid imagination.

If you can hobble into bankruptcy Court with three legs and two of them can be saved and one of them needs immediate burial, the court has no option but to perform triage and arrange for a decent burial for the dead leg including issuing a proper legal certification of death. As is the case with most deaths, the cause of the demise of the deceased is that his life had expired. A natural death rarely warrants forensic analysis but a few terminal formalities are necessary to distribute whatever a dead man leaves behind.

Some men die with nothing and some men are lucky enough to shed their debts and their sins with their last rites. I started organizing the funeral procession from the day SBC went public. The Vivitar merger just was a part of the final arrangements that was put into play two years before I ventured into a bankruptcy court in Wilmington, Delaware.

To sneak a hologram past a judge requires more than just filing appropriate documents. Our ownership of Vivitar operations allowed us to walk into court with two sob stories of a company that could be saved with a little reconstructive surgery. The Vivitar transaction was also instrumental in convincing the Merrill Lynch investment bankers that my company's books were a truthful reflection of SBC's business activities.

The Vivitar transactions played a prominent role in sustaining SBC all the way through the bankruptcy process. We had one good leg to promenade before the judge and it was ever so real. One of the great benefits of acquiring Vivitar is that it gave SBC's operations a veneer of legitimacy and made the company look like an authentic multi-national corporation. And when my lawyers marched into that bankruptcy court, they had an eighty years old brand name to use as a prop.

If you want to play by Hong Kong rules, you have to acquire real assets on the way and you should acquire those assets long before you file for bankruptcy. Because if you can't place enough gourmet delicacies on the chopping block, the authorities will probably resort to using your neck as a convenient substitute. Vivitar was a nice chunk of red meat that I leveraged to lure commercial bankers, Wall Street bankers and hedge fund managers and it was always an indispensable part of my perfect billion dollar heist.

When the time came to engineer the spin-off of Vivitar, SBC engaged the services of an independent investment bank, KPMG Corporate Finance. A year later, KPMG was honored with a Turnaround Atlas Award for the Vivitar transaction. Just so you know how outlandish the Securities Fraud Industry can be, Jeff Flock of FOX News presided over the ceremony which was held at the Historic Walnut Room at Hotel Allegro in Chicago.

A year after the market collapsed, hedge fund managers will still be celebrating the good times and lavishing awards on the industry's superheroes for their incredible aptitude with numbers. I suppose I should have attended the festivities and taken a few bows with KPMG and Silver Point but, predictably, I was not invited to the crowning ceremonies.

Sollitto and I negotiated the Vivitar purchase transaction, but the Vivitar sales transaction was engineered by Greenberg Traurig and Silver Point with an assist from Gregory Rayburn. They were the three parties who commissioned KPMG to enter the fray and put together the Vivitar deal and they had three weeks to do it.

I have no clue how Silver Point and KPMG reached an understanding because the final negotiations was a hedge fund to hedge fund affair and I wasn't invited to that party either. It was just one of the many deals that was transacted in the Dark Period where my role was tangential and best ignored. With the Vivitar transaction, I did the buying and left the selling to capable investment bankers and hedge fund managers.

Lori Bears accepted the award for the Vivitar deal on behalf of KPMG. She is a managing director of KPMG's 'Special Situation' operations and was quoted as saying that "the Vivitar transaction was a challenge given the speed of the process but was nonetheless a huge success based upon the value achieved. We are proud to receive the Atlas award for this deal." And, indeed, Lori Bears had had a lot to be proud of.

Willingly or unwillingly, Lori Bears and all the hedge fund operatives and attorneys involved in the Vivitar deal played a magnificent role in pedaling my company's worthless shares. I had acquired Vivitar with worthless SBC shares and shed all its legal liabilities to its vendors and taken possession of Vivitar's assets, including its brand name. When we spun off Vivitar, the brand name alone fetched \$13 million dollars. The whole deal was worth around \$35 million.

The name of the game is to sell worthless shares by whatever means necessary. Exchanging financial instruments with no value for a real company is one of the many ways you can convert trash to cash. It's just that you don't get any of the cash up front, you get money on the way out the back door and you don't get to keep it. It is one of the bones you throw to the hedge fund marauders as you exit the scene.

With the conclusion of the Vivitar transaction, I completed a cycle where I devoured an eighty year old company, eliminated all its legal liabilities and taken possession of all its assets including the brand name. And I was left with a good leg that could survive intense scrutiny.

Call me conspiratorial if you want, but I wouldn't be surprised if O'Shea or Mule nominated KPMG for that hedge fund Award. They certainly owed KPMG considerable consideration for giving legitimacy and integrity to SBC's books and records.

The beauty of the KPMG deal was that it sold the brand name separate from Vivitar's other assets. The deal included the transfer of all the Vivitar's cash and accounts receivables to Silver

Point while shedding all legal liabilities for paying outstanding bills from Vivitar's vendors. Another benefit of the transaction was that it guaranteed that Vivitar's books and records would remain in the custody of Silver Point. The basic objective of executing a successful billion dollar heist is to make a lot money selling and manipulating shares and then shedding all legal liability. And when it comes to shedding legal liabilities, you can't ask for better partners than O'Shea, Mule and Greenberg Traurig.

The hundred million dollar question

Wealthy people stay rich because they are well acquainted with numbers and it is that familiarity that gives them an aversion to gambling. All the parties involved in my billion dollar heist were extremely risk averse. None of them would have enlisted in the scam if they were not fully vested in a fair share of the billion dollar heist. The parties that assisted me in navigating the Dark Period would never have signed up if they had a shred of doubt that the scheme would unravel.

I tend to be a pessimist and I've never really believed in luck. It's just a vibe and should never factor into making a rational decision. The most luck anybody ever gets is dodging the slings and arrows of misfortune. Aside from protective amulets, there are precious few methods that can be taken to ward off bad luck.

The general business environment is always important for any transaction. By a miraculous stroke of good fortune, I found myself navigating the final chapter of the perfect billion dollar crime in the middle of the total collapse of international financial markets. It was a rainbow in the sky that signaled smooth sailing ahead. Good timing is everything but I could never have hoped for a more favorable climate to execute my exit plan. I must say that the collapse of the financial markets in 2008 changed my long held certitude about my lack of luck. I now had a few more cards to play while I patiently negotiated the fine details with Silver Point and Citicorp.

Of course, the first thing I laid on the table was my jurisdiction card and I was doing it in the comfort of Taiwan and Hong Kong. That gave me certain liberties in reshuffling the deck and putting a few cards aside for future use.

This is where I put Silver Point in the position of answering the \$100 million dollar question. After a decent interval to allow Silver Point to get a new appreciation of the facts on the ground, O'Shea and Mule responded the way you would expect them to respond by signaling that, regardless of what they knew or what they didn't want to know, Silver Point was willing to negotiate terms of disengagement. They wanted a bankruptcy transaction that would leave them with an acceptable return on their initial investment and, of course, they wanted an arrangement that would extinguished any potential legal liabilities.

O'Shea and Mule were not about to go screaming bloody murder to the regulators who were properly engaged in warding off massive bank failures that could have led to unfathomable economic consequences. It was no time for Silver Point to attract unwarranted scrutiny to their complex financial dealings and Citicorp could have done without another scandal.

I won't deny that I took a little advantage of the new economic turf but you must always be prepared to give a little back and lay out some attractive options for your foes. Regardless of the financial climate, it is just good business practice to be gracious and take into consideration the risks Silver Point would be undertaking in making common cause with James Li.

The details of how the final bankruptcy transaction was ironed out is a matter that would unnecessarily stretch the scope of this confession. The important thing is that we had agreed on the road map and the final price. It was a suitably profitable terminal transaction that allowed all concerned parties to shed their legal liabilities. The dispute at this point was over what constituted a fair share. But from then on, I was reasonably assured that nobody had an interest in blowing the whistle on James Li and his suspect associates in Hong Kong and Taiwan.

Once you knock guys like O'Shea and Mule off balance, you try to make a deal while your adversary is grappling to regain his footing. The gentlemen from Greenwich realized that if they hesitated to walk James Li through the bankruptcy proceedings, they'd be out a lot of money and they would expose themselves to scrutiny that would have resulted in civil liabilities for their illicit trading. It was a no-brainer. From then on, it was just a matter of cobbling together a discrete deal that encompassed the new realities.

What O'Shea and Mule saw in front of them at this point was a complete disaster and the only one way to recover was to accompany James Li for the last leg of the perfect billion dollar heist.

FTI Palladium and Greenberg Traurig also had to sign up for the ride. Nancy Mitchell and the Greenberg Traurig team were not just confident that the bankruptcy transaction would succeed, they acted like it was a done deal. They conducted their business with an air of invincibility borne of years of trafficking in similar transactions.

Then again, there was the inhibition factor that always came into play. The crash of 2008 enhanced everybody's aversion to scandal, including FTI Palladium and Greenberg Traurig. For me, Rayburn and Nancy Mitchell were just hired hands – mercenaries doing what they do for their clients the best way they can for the fattest fee they can get. The bankruptcy proceedings generated over \$10 million dollars for Nancy Mitchell and Greenberg Traurig. A similar amount was paid for the services of Gregory Rayburn and his FTI Palladium 'crisis managers.' It's just part of the tolls you have to pay as you navigate the treacherous waters of the Securities Fraud Industry. Always make appropriate provisions for the lawyers and professionals. It is money well spent.

An Unceremonious Exit

Once everybody was on board and every party's interests had been reasonably asserted and addressed, the rest was just a matter of formalities. The first order of business was to attend to my personal exit from the scene of the crime. My vanishing act went off without a hitch. A lot of people wanted to see my back, starting with Rayburn and O'Shea and Mule. Once you deceive these Greenwich maestros, they don't come back for a second set of blinders. This was fine with me because I was just as pleased to see their backs.

Melting away into the crowd was a task for which I am perfectly suited. Just because I know how to run an elaborate confidence game, doesn't mean I am particularly social. You might even consider me a bit of zealot when it comes to my personal privacy. I have always been a hard man to track and, in any case, there was no reason to track me because I was not an officer of SBC when the bankruptcy petition was filed.

I didn't leave with anything approaching a ceremony. There was no farewell party or sentimental retirement speeches. I just faded away in the fog of battle and retreated to safer grounds.

From then on, if and when I wanted to be accessible, I made myself available to a select few – including the Greenberg Traurig attorneys who were still representing me in the Arizona class action proceedings. On advice of counsel, I made it a point of being difficult to subpoena. I just disappeared – first on an extended leave of absence and then I was fired or tendered my resignation. The details of most tales depend on the narrator's perspective and what he needs to write down in a court affidavit.

A month before the bankruptcy, I emerged as a consultant with a think tank in Beijing that catered to the needs of Chinese entrepreneurs with a global perspective and a peculiar interest in gaining back-door access to American capital markets. After three long years, I just quietly slipped away and shed all legal liabilities on my way out. Successful billion dollar heists end with a whimper whispered with the utmost discretion.

It was not desirable for me to have anything to do with negotiating the final details of the bankruptcy transaction. Not that it mattered because I had already passed the baton to John Wu and his son, Michael. It was left to the Wu Clan to run the baton past the finish line in Delaware. But make no mistake about it, I was the architect on the critical outlines of the deal. For me, the minimal goal of the transaction was to take permanent and total legal custody of the forged documents and forever bury all traces of the secret of the inner sanctum. Everything else was just gravy.

Once clear battle lines were drawn, John Wu showed up at the table with a set of demands. Aside from the books and records, the Wu Clan wanted the Olevia Brand name and all associated operations and all rights to collect the \$78 million in receivables which owed by SCHOT and Olevia Far East and the fake \$30 million of fake inventory supposedly in Kolin's custody.

Right before the bankruptcy, John Wu purchased a controlling stake in Digimedia where my brother-in-law served as CEO. So he had another demand. He wanted an immediate payment of \$3.5 million that SBC allegedly owed to Digimedia. It wasn't just a cheeky thing to do, it was a necessary part of the transaction to make sure that the judge delivered on day one and there was no funny business.

In return, John Wu offered Silver Point \$60 million, with a \$5 million dollar deposit pending the court's approval of the bankruptcy transaction. You would think that guys like O'Shea and Mule would think long and hard before crossing the line and shaking hands on the transaction the Wu Clan put before them. At this point, Silver Point was just concerned with getting as much money as they could and Rayburn wanted to retain all rights to recover the \$140 billion dollars I had wired to Christopher Liu under the guise of 'tooling deposits.'

The minute SBC filed for bankruptcy, all parties had to commit to playing their designated role come hell or high water. Airing SBC's laundry in public would not have served any party's interests. Once Silver Point, Greenberg Traurig and FTI Palladium signed off on the sale of SBC's assets to John Wu, all we needed was an approval from a judge in Delaware. It was really out of my hands at this stage. I was in Beijing waiting and watching and monitoring the actors still taking part in the drama. From this point on, that meant that matters would be sorted out by the agency of SBC's capable counsel and the equally talented FTI Palladium crisis management team led by Gregory Rayburn.

Dust in the Wind

It was not an easy thing to abandon control of the machinery of the enterprise I had so carefully and elaborately constructed. Even as we prepared the funerary rites for SBC, the polish of the hologram glittered as brightly as it ever did in the eyes of shareholders. The ones left standing were still coddling the Golden September Numbers and praying for relief. It was a painful thing to watch but it was out of my hands.

Dismantling SBC required two different transactions – one to sell Olevia and another to sell Vivitar. The books and records of the Vivitar operations went with the Vivitar transaction. And the Olevia books and records were to be transferred the Wu Clan.

Three sets of actors would appear in court on the first day's hearing. The first actors were Silver Point's attorneys who came to protest that SBC owed them \$112 million and that the sale of assets agreement was critical to preserving the value of the enterprise. Since Silver Point had first priority on the assets and would be severely impacted by any delay in finalizing the bankruptcy transaction, the court would have to act with the utmost haste.

The second set of actors were SBC and its interim-CEO, Gregory Rayburn who was, of course, represented by Greenberg Traurig.

And the third set of actors were the lawyers for John Wu - the man of the hour who had stepped forward to purchase all the assets of SBC free and clear of all encumbrances or legal liabilities.

Because corporate bankruptcy proceedings are ever so complex and best handled by Ivy League trained lawyers, the final funeral procession for an insolvent company takes place in an arena where only bankruptcy lawyers are expected to attend. Nobody in his right mind would voluntarily submit himself to the ordeal of spending an afternoon listening to an exchange between a bankruptcy judge, hedge fund lawyers and Nancy Mitchell.

The one person of concern that wasn't at that hearing was me. My name was mentioned once and only in regard to when I was replaced by Gregory Rayburn. Other than that, I was one of the unidentified officers and directors who had resigned as part of a change of management.

As any lawyer will tell you, corporate bankruptcy cases are sad affairs and there are no good outcomes – especially for shareholders. By the time you get to the bankruptcy court, all you need to explain is why you're there, how much you have in your pocket and who you owe money to.

While preparing the grounds for a safe exit, I had taken the liberty of registering a California registered shell company, Olevia International Group (OIG). The first thing Greenberg Traurig did was transfer ownership of OIG to the Wu Clan. And the next thing they did was cobble together a "sale of assets agreement" that was approved by all parties. It was not a complicated deal except for the fact that OIG was buying virtually the entire company with a \$5 million down payment. The remaining \$55 million would be paid after the judge gave the nod to execute the deal.

During the dark period, we had managed to shovel virtually the entire treasury of SBC to the coffers of our associates at Kolin and TCV. The trick was to leave just enough on the table to whet the appetite of Silver Point and our Greenberg Traurig counsel who, by January, had recruited reinforcements from their prestigious Merger and Acquisitions practice led by one of the stars of the Securities Fraud Industry, Nancy Mitchell.

For a million dollars a month, Greenberg Traurig will gladly take care of your business. As long as you make generous allowances for their fees, they will use their talents and their considerable clout to assist your graceful exit.

By early May, 2007, we had reached tentative agreements with Silver Point on how to structure a final deal and choreographed the dance through the Chapter 11 proceedings. By then, Thomas Chow and Christopher Liu had resigned from the Board of Directors and I was spending most of my time in Hong Kong and Taiwan waiting for the lawyers to put together the proper documentation. As the captain of the SBC enterprise, I would be the last to go down with the ship. A week before SBC filed for bankruptcy, I resigned for "family reasons."

On July 8, Rayburn extinguished SBC shareholders rights by issuing a press release declaring that SBC had been restructured and that the company's shares were worthless. A new private company would rise from the ashes of SBC. "We believe the proposed transaction would enable us to stabilize our business and execute on our growth prospects. Moreover, we believe that the purchaser would gain a competitive advantage by being the first in the LCD TV industry to unite design, sourcing, manufacturing and delivery of HDTV products under common ownership. It allows us to honor our commitments to our retail partners, suppliers, employees and consumers, continue to advance initiatives that improve and develop our product lines, and better position us to capitalize on the demand for our products going forward."

The shares would soon be delisted and SBC was dust in the wind.

Wilmington Rules

I stole a billion dollars with a ticker symbol, a song and a signature. I got my company listed and publicly traded. I did a spectacular job marketing the ticker symbol to Preferred Bank, Merrill Lynch and the Greenwich titans at Silver Point. Once I had transferred the bulk of the proceeds to Kolin and TCV, I took a low profile and spent most of my time in Hong Kong and Taiwan working through the final arrangements with Thomas Chow, Christopher Liu and the Wu Clan. That done, I retreated to Beijing and watched from a distance as the plan was being executed by players I had little or no control of.

When I think of the 1000 places I've never been, Wilmington would still not make my list. If you're curious about how that little city became the bankruptcy capital of the world, just ask Joseph Biden. He'll tell you. And if he won't tell you, hundreds of other lawyers in Wilmington can tell you. That friendly judge in Wilmington can tell you. But why would they tell you? If they told you, the Securities Fraud Industry would collapse.

When you play by Hong Kong rules, the most important and vital transaction you have to pull off is filing for bankruptcy. Forty percent of the companies that elect to file for bankruptcy end up dispatching their lawyers to a courthouse in Wilmington with hundreds of meticulously prepared documents assembled by competent counsel. The reason Delaware is such a magnet for corporate bankruptcies is that it is a jurisdiction where judges are never judged and bankruptcy lawyers are often granted certain latitudes that allow them to get away with all types of chicanery.

But even if you own a Delaware judge, you can't tell him that the money just disappeared from your company's coffers – that's embezzlement. You just have to sing the same song you've been singing all along. And you have to line up a buyer to show up in court with his lawyers who can sing in harmony with your lawyers. And if you've borrowed money from a bank or a hedge fund, they also have to make an appearance with their lawyers must sing in tune. Once the hedge fund

lawyers belt out the same tune and are good with the deal, the judge sanctifies the sale. The hedge fund walks out with whatever the buyer agrees to pay and you're done. Mission accomplished.

That's how a Billion Dollar scam gets buried without a hint of impropriety. Bankruptcy proceedings are resolved in an administrative court where unelected judges appointed by other unelected judges preside over a court where juries never venture. In such a setting, a judge can dispense justice with any level of bias he chooses to indulge. And if that kind of prejudice results in diverting millions of dollars to favored creditors like Silver Point and Citicorp, the temptations can be irresistible. It's just the way my mind works - I have to assume that Judge Shannon got some kind of consideration for his extraordinary services even though I confess that I never personally paid a bribe to that judge.

In fact, I am fortunate to say that I've never actually had to appear in a Delaware court or any other court. I just signed papers prepared by my lawyers and left them to work their magic on the judge. If there was any kind of influence exerted on Judge Shannon, I had nothing to do with it. That kind of influence can only be exerted by a privileged class of actors who have access to people in high places.

It certainly never hurts to be represented by attorneys who are former colleagues or clients of a judge who cut his teeth toiling in Delaware's notorious jurisdiction; a circuit where outcomes are often determined by the Ivy League pedigree of your attorneys. Greenberg Traurig and Silver Point owned that judge in Delaware. Even after they threw me to the dogs, the judge issued rulings granting them total immunity.

Wilmington's rules of engagement are quite a bit more intriguing than Hong Kong Rules. And by the time they come into play, the sheep would have been fleeced for now and forever. For all practical purposes, I was out of the picture. The forgeries were in the custody of Gregory Rayburn because he was the CEO at the time of the bankruptcy. He was the one who filed the Chapter 11 petition and he was the one who signed the affidavit. I was just a passive spectator.

For Now and Forever

The day trader is your friend. They are usually chart gazers. They focus in like a laser on the bright shiny ticker symbol and nothing else. They use all kinds of measures and metrics to decipher the movements of a stock.

Your best mark is the technical investor who takes a serious interest in your company. He follows the trading, the volumes and the short position. If he is a real technical wonk, he might monitor the options related to your shares and insider sales. The technical trader will factor in seasonal fluctuations, moving averages, daily volumes and all kinds of exotic metrics.

People go overboard with technical analysis. They print daily, weekly and monthly charts and work out logarithms for trading strategies. And they share their outlook on the stock on Yahoo and other message boards. Most importantly, they buy and sell your shares. In the case of SBC, the average daily volume was about three million and there was one day when 36 million shares traded hands. That's a lot of volatility and a lot of volume – the two essential ingredients for stock manipulators.

Once the institutional investors bail out on you, the company's shares end up in the hands of small investors. Each has a style. You've got your technical investors or the bottom fishers or the investors who always dollar cost average by buying on the dips and the investor who gets a tip from a buddy or a cousin and decides to take the plunge and the investor who purchased your product and thinks it's cool.

Once the stock slips below \$3.00, the institutional investor moves on. The only people left holding SBC shares were anxious small investors who couldn't even decipher a quarterly report.

My only real crime is that I got caught. My scheme to defraud investors is now a matter of public record. Things would certainly be different if I hadn't been exposed and I am truly ashamed that I caused so much harm. I never expected to have to look back. I thought I had completed the transaction. I was already to move on. Even after I got caught, I still managed to avoid any serious consequences but that is not to say that the price tag was not a bit higher than I expected.

I never used a gun or a sharp instrument. I never threatened anybody or forced anybody to do anything. Everybody made their own decisions, including shareholders. And we all have to live with the choices we make in life.

When things started falling apart, my bankers and lawyers innocently gasped at the unfathomable financial transaction I concocted even though they agreed to play along.

Securities Fraud is a confidence game. You can't even reconstruct the crime, because by definition some of the pieces are either missing or are not exactly what they seem to be or never existed in the first place. They're missing because they were an illusion – a hologram that appeared to be real. We had to sell that hologram to the Delaware bankruptcy court. Because once it gets past the scrutiny of that bankruptcy judge, you shed all legal liabilities to shareholders for now and forever.

Now if you look back, you might notice something. Preferred Bank got paid. The Merrill Lynch investment bankers made out alright. Greenberg Traurig was paid. Rayburn was paid. The auditors were paid. The lawyers in the class action suit in Arizona got paid from the proceeds of the Directors and Officers insurance policy. I could go on about where the money went because it didn't all end up in my pocket.

The only actors that never got a dime were the shareholders because that's the entire purpose of securities fraud – to relieve investors of their money by passing them worthless securities. Over the course of 950 days, SBC issued 93 million shares for a total take north of \$600 million dollars. And I won't even venture to guess what we made manipulating the stock – because I wouldn't want to be accused of underestimating the final take. The truth is too many actors were involved in the manipulation and some of them I don't even know.

I didn't construct my elaborate scam from some kind of blue print where everything had pre-determined results. Securities fraud is at once much simpler and much more complicated than that.

The Rayburn and Mitchell Show

Your honor, SBC was a Delaware incorporated publicly traded multinational company headquartered in Tempe, Arizona. It had operations in Los Angeles, Taiwan and Hong Kong and access to a vast Chinese market that was hungry for our exceptional product line. The Olevia Branded products had received favorable notices in trade journals. SBC company produced and marketed the best tier-2 HDTVs in the market. SBC spent a great deal of money on ESPN advertising to boost our sales through Target and other Big Box outlets.

In addition to our North America operations, we marketed our Olevia branded TVs through Hong Kong distributors. And our profit margins in Asia were spectacular until, due to unforeseen circumstances, they weren't so spectacular.

We have two buyers for the company's assets. Sakar will buy Olevia and the Wu Clan will buy all the remaining assets of SBC. Silver Point will retain all claims against Kolin revolving around a disputed \$140 million dollars of tooling deposits.

I get carried away sometimes. Something in me wants to keep repeating the same story line Nancy Mitchell delivered to her targeted audience, Judge Brendan Shannon. It was just a story line; a very convincing one. It was a narrative that everybody agreed to represent as gospel truth in a court of law and nobody could have delivered it with the confidence of Nancy Mitchell, the lead Greenberg Traurig Attorney.

SBC's sales had grown exponentially and they had not expected such an abrupt rise in demand for Olevia branded products. So, they had to go out and borrow \$150 million dollars from Silver Point - a lender who would help us execute on the business plan.

Unfortunately, the Chinese government ordered some custom TVs and then refused to take delivery. It wasn't us that sold the TVs to the Chinese government, it was an independent distributor in Hong Kong. SBC tried to collect our money from that distributor. But that distributor says the Chinese government won't pay and wants to return the inventory and wants to cancel the rest of the sale. Consequently, we were forced to write down the value of the inventory by \$100 million dollars.

You see where Nancy Mitchell was going with this story line. SBC never sold anything to the Chinese government. We never produced any custom HDTV of any kind. We just reported the bogus sales in our financial statements and filed those statements with the SEC. It was all make believe and Nancy Mitchell was projecting my hologram with real conviction. As she recited my story line in a court 9000 miles away from Beijing, I could visualize the pile of forged documents that Nancy Mitchell was burying right under the judge's nose.

Nancy Mitchell did all the talking and she did it on behalf of Gregory Rayburn and in support of the affidavit Rayburn filed with the Chapter 11 petition. The affidavit was every bit as fake as the SEC filings and Rayburn and Mitchell knew it.

One Good Leg

A public corporation is always subject to a health check-up. If all you manage to create is a corporate hologram you'll eventually get busted. When and if the authorities get around to taking a peek at your company, you need at least one good leg and a plausible story of how your other leg got so badly mauled.

The process of building that one good leg and integrating it with the corporate hologram is a very precise science. There are no cloak and daggers involved. The good leg has to have good bones because it will eventually have to stand alone without the prop of a corporate hologram.

A securities fraud scam without a good leg is nothing more than a Ponzi scam - all smoke and mirrors. No amount of accounting gimmickry can pass for a good leg.

Going into bankruptcy, the only good leg we had was Vivitar. TCV and the Wu Clan had agreed to buy the remaining assets of SBC for \$60 million. It wasn't a cash transaction but Silver Point was willing to settle for what it could get and had agreed to accept TCV's offer to buy the company on an installment plan starting with a five million dollar down payment. Silver Point was also retaining all rights to the \$140 million dollar Kolin tooling deposit.

Nancy Mitchell and Gregory Rayburn represented the buyer as a very reluctant arms-length third party, John Wu. The Wu Clan represented to the court that it had been willing to accept the deal only because SBC owed TCV so much money and they wanted to help out an old customer. The Wu Clan also wanted the court to approve a \$3.5 million dollar payment to Digimedia, a company they already owned.

Rayburn and Mitchell represented John and Michael Wu as unrelated buyers – unrelated to Kolin and unrelated to me and unrelated to Thomas Chow. That was clearly not the case but Rayburn wasn't one to worry about perjury. He had a choice to either go along or stage a loud exit. He chose to stay and play and entered into evidence a sworn affidavit that fabricated facts in much the same way I fabricated numbers.

My Favorite Judge

There are a few defining moments in every man's life like the moment you take your first breath and the moment you depart to the great beyond. For me, the first day's hearing in Judge Brendan Shannon's Court was an experience that I can only compare to being born again. As the son of a Baptist minister with a degree in divinity, I mean that in the complete literal sense of the world. By the time that hearing was over, I was speaking in tongues and ecstatically shaking with the kind of raw emotion that I am loathe to display in front of others.

The sweetest day of my life was when that judge in Delaware delivered the goods. I got the news from Harry Liu, my brother-in law. He called me the minute the judge approved the \$3.5 million dollar payment to Digimedia. Even as SBC was filing for bankruptcy, we still managed to get that judge to flip us a few million out the door. It wasn't just an exhilarating experience. It was hilarious and it gave us a few more coins to share.

I met up in Hong Kong with Thomas Chow. We had done an amazing thing together and we did it with such class and finesse – first cabin all the way. We didn't need guns or goons. We were just businessmen who flew in from Hong Kong, walked into the saloon and took everybody's marbles before catching the late flight home.

We were off to a very good start; that's the way we thought about it. We just had to fade into the background for a while. Just in case things got dicey, we'd have to stay on the other side of the Pacific pond until the dust settled. But that was all good. We had all the money in the world and we were back on our home turf. Our lawyers assured us that the judge would be expediting matters and the rest of the process involved nothing more than taking necessary legal formalities to give SBC an indecent burial. They were right about the judge and a good thing too.

Thomas Chow was the best partner a man can ask for. He taught me how to share - which meant that he got the lion's share. I was always the big chief, it was my baby, I would run the show and, if we disagreed, we'd talk things over but I would have the last say. Thomas put up the initial stake in our billion dollar enterprise and let me take control. He was content to work in the shadows. Chow wasn't looking for recognition. He didn't even want to be noticed. He just wanted his fair share.

When the time came for Thomas Chow to disembark the mother ship, he simply handed me his undated resignation and walked out the door. He didn't get his hands dirty in the sordid bankruptcy proceedings. No one can accuse Thomas Chow of bankruptcy fraud because he had no part in it. He wasn't even an officer in the company when we all signed on the dotted lines.

It's not often you get to test another man under pressure. Thomas Chow handled pressure like no man I've ever known. He was a calm hand shake deal maker who knew his way around Hong Kong and was by all objective measures a very proficient technocrat. When you work with a guy

like Chow, you get to witness a world class businessmen walk a tightrope between his legitimate affairs and his shady backroom transactions.

It was a beautiful night in Hong Kong – the kind of night you want to relive over and over again. If you must know, we were extremely boastful. We just couldn't help ourselves. I didn't want to know what he did with his money and Thomas Chow never volunteered any details about his finances. We were not meeting up to discuss money – the financial arrangements were already set in stone. He got what he got and I got what I need and we were both happy that fortune had smiled upon us even as it frowns on others.

Thomas and I never talked about the people we stole money from. We never really gave them much thought and bringing up the subject would only have distracted us from the brilliance of the moment. We were nondescript businessmen who had engineered a series of mutually advantageous transactions with commercial bankers, Merrill Lynch and a couple of Greenwich hedge fund managers. We never thought we were stealing from real people or retired cops. We were just scraping a sliver of ripe meat from a bloated market and pinching a few coins from Wall Street's pockets.

Our timing was perfect. It was 2008. Everybody was losing money and we were just raking it in. How sweet does life get?

Out of necessity, Thomas Chow and I have parted ways. We both had to lay low and you can only do that on your own. One of my great regrets is that I'll never get to work with Thomas Chow again. I wish we could both relive that moment of triumph in Hong Kong. Things didn't go as smoothly as I would have liked but it's all good. I'm still a free man in Hong Kong and no one will ever collar the great Thomas Chow.

This is a true story. Unfortunately, my exploits are now a matter of public record. Let's just say things didn't go quite as planned. It was a fluke that I got caught. Even my lawyers felt like we'd been ambushed. That's the bad news. The good news is that my lawyers fought their way out of the ambush and I never spent a night in jail and I still got to keep the money.

I can't emphasize enough the value of having the best lawyers. Greenberg Traurig is a status symbol. It gives you the appearance of a serious contender and a legitimate player. They intimidate other lawyers and make it plain that they will go to great lengths to defend their clients. They'll even commit fraud for their clients – for a big fat fee.

By the good agency of my lawyers, I've taken care of people up and down the Securities Fraud Industry and I am happy to report that they took care of me until they could no longer take care of me. I was just one of many clients who slipped in and out of the garden of temptation for a few generous nibbles of the forbidden fruit.

Who the Hell is Charlie Cerny?

The course was now set on automatic pilot and there was really no role left for me to play. With one more quick rinse cycle, I would bid SBC a fond adieu. I didn't have any immediate plans of what to do next and I didn't need a second act – I was now fabulously wealthy and I wanted to take my sweet time indulging in an orgy of self-adulation. For perhaps the first time in my life, I experienced what it means to have real power to determine the course of events from a great distance.

I am not ordinarily conscious of my size but I felt like a colossus. It is one thing to contrive a plan to steal a billion dollars, but to see it fully implemented to perfection was enormously gratifying. I am still amazed that we got away with it but, then again, I had incriminated some very important and influential people. I left no incentive for any party to topple the apple cart. O'Oshea, Mule, Rayburn and Nancy Mitchell were fully vested in the bankruptcy transaction and had shed all their inhibitions to crossing the Rubicon singing Kumbaya hand in hand with James Li. Someone is laughing my Lord, Kumbaya. Someone is crying my Lord, Kumbaya.

I was back in Beijing taking in the unfamiliar surroundings and savoring an intoxicating euphoric high when I got a call from Thomas Chow. The first thing that alarmed me was that Chow was alarmed. Something had gone terribly wrong. A couple of pissed off shareholders had shown up in court and were trying to derail the bankruptcy transaction and foil the sale to the Wu Clan. Who were they? Why didn't somebody just take care of them?

It was out of our hands. We were not even parties to the bankruptcy proceedings. We were nothing more than two ex-employees anxiously monitoring the unexpected developments through a crack in the wall.

The trouble all started when this guy from Brooklyn appeared in court to tell the judge his sob story about losing \$300,000. Judge Brendan Shannon expressed his condolences but Charles Cerny didn't drive from Brooklyn to Wilmington to solicit the judge's pity; he wanted to derail the sale of assets agreement. The judge didn't think it was appropriate to address Cerny's questions in open court and directed Nancy Mitchell and Gregory Rayburn to meet Cerny after the hearing. Predictably, Charles Cerny came out of the meeting even more pissed off.

Rayburn and Mitchell had revealed that the "tooling deposits" were not tooling deposits. A hundred and forty million dollars was sent to Kolin for no good reason other than that Kolin was the main conduit for funneling money to Taiwan. The other major conduit was TCV and its subsidiaries in Singapore, Westech.

Cerny wasn't the only shareholder to intervene in the bankruptcy proceedings. Two brothers from Seattle joined the fray and set up a petition to the court that was signed by 600 angry shareholders – each with their own heart rendering stories of loss and suffering. Many of those petitioners were also pounding the phones and writing letters to the United States Trustee

assigned to monitor the case. A few weeks later, the United States Trustee consolidated all the gripes from shareholders and filed a motion to appoint an independent examiner.

At this point it wasn't just Mr. Cerny giving us hell and busting up the furniture. Another shareholder, one of the guys behind the petition, appeared in Court and he was considerably less diplomatic than Mr. Cerny. He barged right in and asked the judge to dismiss the entire Chapter 11 proceedings because the bankruptcy petition was filed to conceal fraud.

The first thing the guy from Seattle did was file a motion in support of the appointment of the examiner. The worst thing he did was show up in court to argue the motion in language that is not appropriate for civil proceedings. By that, I mean he wasn't just asking for money or damages, he was demanding criminal sanctions. He wanted the authorities to intervene and pick up O'Shea and Mule and Rayburn and Mitchell and send Interpol to locate James Li and his diabolical cabal of co-conspirators.

Even before the examiner reported his discoveries to the court, the guy from Seattle had asked the judge to detain Michael Wu because he was a flight risk. I don't even want to contemplate what would have happened if the judge had ordered the court bailiffs to take custody of Michael's living breathing body and throw him in a god forsaken cell in Delaware in the dark grey of autumn. The bankruptcy proceedings were no longer merely a financial matter for the Wu Clan. Getting Michael the hell out of Dodge was the priority. Of course, with that, the whole elaborate hologram I had constructed was shattered and the truth could no longer be denied.

The judge did eventually enter an arrest warrant for John and Michael Wu but by then they were safely back in Taiwan. To put it mildly, matters were no longer in our hands. We had left our fates in the hands of our lawyers, handed them a decent portion of the spoils and they would soon betray us in the most reprehensible way.

The prospect of a forensic examiner inspecting SBC's books and records sent cold shivers down my spine. Maybe an examiner would go along to get along like the auditors. But something in my gut told me that was wishful thinking. This was a game changer, an absolute unmitigated disaster and everybody's survival instincts kicked in and they all decided to dump James Li's body overboard.

When your lawyers start to panic – you're a dead man. Greenberg Traurig made every attempt to derail the appointment of an examiner and Silver Point protested to the judge that an examiner would only end up squandering the limited resources of SBC and that his appointment could have serious consequences on closing and executing the agreement to sell SBC to the Wu Clan.

To make a long story short, Charles Cerny and his pal prevailed and an examiner was appointed and immediately zeroed in on the forgeries. The Secret of the Inner Sanctum was not only exposed but was out in the open in a court of law. By the time the examiner reported his findings

to the court, Greenberg Traurig and Silver Point had circled the wagon but not before throwing James Li and his associates under the bus.

There comes a time when the primal instinct to survive requires the abandonment of old friends. Greenberg Traurig, the same law firm that had represented me in an Arizona Court in June, was delivering my head on a platter to a judge in Delaware in October and was actually giving credence to allegations that James Li and his partners had committed serious fraud.

After wasting \$10 million dollars in legal fees for the bankruptcy proceedings, all I was getting was a report from an examiner implicating me in forging sales and shipping documents and cooking the company's books. I didn't just hire any lawyer, I hired Nancy Mitchell – the Ma Parker of the Securities Fraud industry and she goes and rats on me and my boys to save her own hide.

All the money I paid Gregory Rayburn and FTI Palladium crew of 'crisis managers' to facilitate the bankruptcy transaction might as well have been poured down the drain. That was another ten million out the window and where was Gregory Rayburn's brashness, and what happened to the assertive wonder woman who promised to ram a billion dollar heist through Brendan Shannon's court? Greenberg Traurig never gave a damn about James Li. They were focused on covering their own liabilities and extricating themselves from a dicey situation. If that meant throwing their paymasters to the dogs, so be it.

As for O'Shea and Mule – they just disappeared into the background. The lawyers representing Silver Point and Citicorp said as little as possible.

Over the course of an hour, the examiner unveiled the truth to the judge. He had located and inspected some forged shipping documents and determined that hundreds of millions of SBC's corporate assets had been conveyed to Taiwan entities that appeared to be related parties engaged in sham transactions. In short order, the examiner systematically dismantled the hologram I had spent three laborious years constructing with meticulous precision. And there stood my lawyers unable to utter a grunt in my defense and making no effort to dispute the examiner's findings. Like rabid dogs, Nancy Mitchell and Gregory Rayburn had turned on me.

Our reaction was swift. The Wu Clan pulled out of the deal to buy SBC and even asked the court for its \$5 million dollar deposit back. There was really nothing worth buying anymore. We had been willing to pay Silver Point a generous sixty million to conceal the forgeries and they had failed to deliver. No delivery – No payment. Once Greenberg Traurig stuck a knife in my back, it really didn't matter whether the Wu Clan consummated the deal. The forgeries had been located and inspected and there was no denying the evidence.

Things got real messy real fast and I had zero control over developments because I was unrepresented in the bankruptcy proceedings and I was in Beijing getting all the news second hand. All I could do is watch from a distance as my elaborate hologram crashed and burned.

I had suddenly become the center of unwelcome attention. In hearing after hearing, I was vilified as a swindler, a common crook, a con man, an embezzler, a fraudster, a mobster, a thief and an economic arsonist after which I was defamed with a blast of derogatory insults that I do not care to put in print. Undiluted venom spewed from the mouth of the guy from Seattle and I was in no position to even raise a peep in self-defense; not a single lawyer in court stood up for me.

Everything was now James Li's fault and everybody was suddenly James Li's victim including O'Shea and Mule, the innocent Greenwich hedge funders who were now protesting that they had succumbed to James Li's deception. One and all were piling their sins on James Li and I was resigned to bearing the burden of their sins while living in splendid exile.

The immediate consequence of all this is that I was left with only one card to play – the jurisdiction card. But that meant that I would have to stay grounded in Beijing for much longer than I anticipated.

Everybody wanted a piece of James Li and the only way to dodge their advances was to stay clear of the United States for an indefinite period of time. This was not something I anticipated and there was no contingency plan to deal with the fallout. I had no option but to quickly adapt to the life of an exile separated from the family he loved.

A few months of inhaling Peking's foul air had already made me nostalgic for Los Angeles. Three short weeks earlier, I had shed all legal liabilities except for the class action suit in Arizona. Now I was facing the prospect of being indicted for a long list of felonies. The Secret of the Inner Sanctum was now out in the open. I could only guess at the dreadful consequences for me and Thomas Chow.

After the examiner was done reporting to the court, he requested more time to investigate and asked the court for authority to conduct depositions from people who had a lot of questions to answer. As for the United States Trustee, Mark Kenny, he thought everybody should take time to digest the report but asked the court to acknowledge the serious question was before the court - who knew what and when did they know it? And that's all he did.

Before the examiner's hearing ended, the guy from Seattle walked up to the podium and made a forceful argument for the retention of the James Feltman and granting him the right to widen the scope of his investigation. Greenberg Traurig had other ideas and volunteered to proceed with the investigations from where the examiner left off. Nancy Mitchell even took a little credit for facilitating the examiner's work and did not think it served any purpose to spend any more money for James Feltman's services. If they needed any additional work or had any question, they would call and thank you very much, mister examiner.

What happened next was something that confirmed my long held belief that the system was rigged and it wasn't rigged for the pleasure of James Li. In a very calm and measured tone, the judge inquired if the examiner's findings meant that SBC had been involved in channel stuffing.

The examiner responded that it would be a “charitable view” of the evidence he was bringing to the attention of the court.

Based on my limited understanding of the law, the judge was sending the examiner packing. He instructed Mr. Feltman to file his ‘preliminary findings’ and a few days later slipped in an order to dismiss the examiner. It was a stroke of genius which, upon further analysis, meant that the examiner’s findings would not be entered into evidence. The judge would proceed on the discredited evidence entered into the record on the First Day’s hearing – Gregory Rayburn’s sworn affidavit. I took great comfort in the judge’s magnanimous decision but I also knew that my troubles were not over.

Even after the cat was out of the bag, the judge appeared to have a serious allergy to cats. It was one of many ‘oops’ moments that the Judge Shannon would deftly negotiate as he dodged and weaved his way to bouncing Cerny and the guy from Seattle out of his court.

Regrettably, the guy from Seattle wouldn’t take that laying down and submitted a motion to compel Gregory Rayburn and Nancy Mitchell to reconcile their narrative to the examiner’s findings. When the court denied his motion, the guy from Seattle submitted another motion – this one to recuse the judge. This dude was obviously some kind of nut. The judge should have kicked his butt out of court right then and there but was obliged to schedule a hearing for the recusal motion.

The recusal motion was filed around Thanksgiving and a hearing was set for early January. It’s not often that a Bankruptcy judge is slammed with a recusal motion. After all, Brendan Shannon was the legal custodian of SBC’s assets and he had have the final say on how those assets would be distributed.

When somebody challenges a bankruptcy judge entrusted with other people’s money to step down, there can be no mistaking the reason – corruption. The guy from Seattle had dug up information showing that Shannon had represented Silver Point before in a case that also involved Gregory Rayburn. Shannon had also worked on cases with one of the Greenberg Traurig lawyers handling the SBC bankruptcy, Victoria Counihan.

I was in a state of despair. For days, I would go without tasting a minute of sleep. The earth below my feet was shaking and I found myself vomiting the little food I managed to digest. There were personal matters that had to be attended to starting with breaking the news to my wife. That was not part of the plan. A bleak reality dawned on me - I was no different than Ponzi and Madoff in that respect. The only plan I ever had was to permanently conceal the forgeries and shed all legal liabilities to anybody and then just fade away into the mist.

I was now venturing into unfamiliar territory – it was unpredictable turf and it included two pro se litigants with a few well-sharpened axes to grind. Nobody and I mean nobody expected Cerny or anybody like Cerny to show up. It’s just not done – a couple of bankrupt shareholders with

pea shooters attacking the fortified bastions of O'Shea and Mule – the titans of the Securities Fraud Industry. It was almost cartoonish when you think about it until it wasn't so funny.

As angry as they were with James Li and associates, the guy from Seattle and Cerny were even more livid about the conduct of Nancy Mitchell and Gregory Rayburn and levied accusations of illicit trading against Silver Point. And the most frightening thing is that they were asking for the immediate intervention of the Securities and Exchange Commission, the Department of Justice and the Bankruptcy Fraud Taskforce. Cerny and his companion were just lashing out at anybody who had anything to do with filing the fraudulent SBC Chapter 11 petition.

Back to the guy in Seattle. Apparently, he had a lot of time on his hand and Seattle was experiencing a hard winter. While he was waiting for the snow to melt, he wrote a book titled "The Sheep and The Guardians – Diary of a SEC sanctioned swindle."

I can say with some confidence that it will never be a classic. To put it mildly, the author was uncharitable with his words. This guy from Seattle was one bitter and angry man and he wanted his grievances plainly stated in the record and he wanted everybody rounded up and thrown to the lions – including Mary Schapiro, the Commissioner of the Securities and Exchange Commission. And just to make a point of it, he put Schapiro's picture on the back cover. You can't deal with crazy – especially when the crazy guy has lots of time on his hands.

There was another picture on the back of his book; the kind of picture that would be complimentary on your driver's license or your passport. It was a picture of James Li. You tell me if that wasn't a nasty thing to do – to convict a man in the public square. I had a good mind to sue him for defamation of character but then I would have to encounter him in court. Even now, I know he's hunting me. Seven years and that maniac won't give it up. It's not that I am afraid for my own safety; I am genuinely concerned about his mental health.

The book he wrote is still out there and I understand it made a small splash in Hong Kong and not for its literary merits. It circulated among a few sophisticated investors who were building their own holograms and wanted to follow James Li down a well explored path to easy riches. The guy from Seattle not only drew an accurate picture of the SBC scam but was exposing the neutrality of the regulators and the Department of Justice and, of course, the obvious corruption of the judge. This guy wanted SWAT teams to raid the courtroom, put everybody in shackles and then go chasing the delinquent SEC attorneys who didn't bother to show up in court. He was out of his mind if he believed that Judge Shannon was going to give him the time of day.

You'll have to admit that I have a gift for sizing up a wide range of people but sometimes it's hard to figure out what makes some men tick because they are unpredictable ticking bombs. The problem with Charles Cerny and his Seattle pal is they never came to terms with their natural size; they were simply irrational actors in a game where there are no bit parts for shareholders.

Cerny and the Seattle guy were tangling with an entire industry; an industry built to defraud innocents; an industry that does not bend to cries of justice or abide by the normal rules of the game. It was quixotic of them to even imagine they could take on the gentlemen from Greenwich in front of that judge. Somebody apparently forgot to tell them that matters would be resolved by Delaware lawyers playing by Delaware rules for an audience of Delaware judges. Whatever Greenberg Traurig and Silver Point could get past Brendan Shannon was instantly made kosher and they could get almost anything from a very accommodating judge.

I really can't tell what motivated these two irrational actors to keep showing up in court. The judge not only refused to recuse himself but retaliated by declining every pro se motion they filed before the court. Every discovery motion they submitted was denied. They asked for Silver Point's trading records. Denied. They asked for attorneys to represent shareholders. Denied. They asked for a Trustee. Denied. And when the guy from Seattle tried to sanction Mary Mitchell, the judge basically kicked him out of court and told him that he had no status to raise questions about Mitchell's misconduct.

Judge Shannon had already made up his mind and chosen sides. The examiner had placed copies of the forgeries in Shannon's hands and sufficiently explained to him that they represented cargos of TVs that were never manufactured and were allegedly delivered on ships that didn't even exist. There were other obvious clues. The cargo weight didn't match up with the TVs that were supposedly shipped.

The judge knew they were forgeries and he understood they were in his legal custody and, mercifully, he chose to turn a blind eye to \$400 million in forged sales invoices and shipping documents. He didn't even want a final count. He wanted to safely dispose of any evidence which might incriminate him or his former colleagues. He wasn't doing that out of love for James Li, he was protecting himself and his former colleagues. I didn't care what his reasons were – I just couldn't believe that we were all getting away with conspiracy to commit bankruptcy fraud.

Shannon had recently retired as a partner with Young Conaway Stargatt & Taylor, a law firm that specialized in corporate bankruptcies. In his spare time, he worked as an adjunct law professor at St. Johns University. He was a man who was perfectly capable of recognizing the magnitude of the crime the examiner had unearthed. By burying the evidence and firing the examiner, the judge was going out on a limb and, again, he wasn't doing it for James Li. The judge was just delivering the kind of gracious service a judge is expected to deliver in the jurisdiction of Delaware.

In all probability, the judge acted of a combination of gallantry and self-preservation. Judge Shannon unleashed the full potency of his mandate to protect the lawyers in his court from the consequences of their audacity. When the forgeries were exposed, Judge Shannon was naturally forced to provide cover for himself. For one thing, he tossed out \$3.5 million to my brother in law at the first day's hearing and Harry Liu had no intention of giving it back.

Everybody - that is everybody except me had protection; courtesy of the judge. Brendan Shannon could have thrown the book at Greenberg Traurig and Silver Point for participating in James Li's diabolical scam. Instead, he was proactive in concealing the evidence of forgery because it would impeach Nancy Mitchell's testimony and Gregory Rayburn's affidavit. The examiner had led the judge to the inner sanctum and the judge just didn't want to go there because he was too busy bailing out old familiar friends.

The first lesson I learned from observing the proceedings in Delaware is that gentlemen don't like to see other gentlemen go to jail. The attorneys working for the small clique of high-powered law firms that prowl the corridors of Delaware's bankruptcy court have a level of immunity that would astound most Americans. If you only knew half of what goes down in Brendan Shannon's court.

The way I see the world is that it's all one giant scam and if it's not one scam going on, it's another. I was out of the loop by then – the safe loop where one can shed legal liabilities. It shouldn't have mattered to me one way or the other whether the judge recused himself. He had already burned me to save his brethren and it was too late to reverse course. Brendan Shannon might have thrown me under the bus but his hand was as tainted as everybody else. Once he tossed that \$3.5 million to Harry Liu and Digimedia in the first day's hearing, he had already incriminated himself.

The last thing you want at this point is publicity – especially from Bloomberg. The guy from Seattle sent his book to a number of journalists and one of them took the hook - a Bloomberg journalist who immediately started working the phones. By the time the story came to print, Bloomberg could report that SBC was being probed by "the federal bankruptcy fraud task force for allegedly funneling \$140 million to a Taiwan business partner and falsifying financial reports." The task force was composed of the Justice Department, the Internal Revenue Service and the Postal Service. Ominously, the article revealed that "The Securities and Exchange Commission had subpoenaed current and former Syntax employees."

Andrew Johnson followed up with an article in the Arizona Republic. Johnson had tracked down James Feltman, the examiner. Feltman told the Arizona Republic that "there was strong evidence that SBC and Kolin misrepresented tens if not hundreds of millions of dollars of products that didn't exist by billing each other for false sales." He went on to say that "the information that investors got was clearly misleading."

If you have ever experienced the darkest shade of black, it was the color I was draped in for months. As I waited to see what the fallout would be, the guy from Seattle struck with another motion demanding that investors be informed of the examiner's findings in a final disclosure that was going out to shareholders. Greenberg Traurig duly reported that "An examiner was hired. The examiner reported to the court." And that's all they reported. Then they went on their

merry way and proceeded on the already discredited evidential record – the sworn affidavit of Gregory Rayburn.

It's been seven years now since the bankruptcy transaction was derailed by Cerny and his pal. The entire thing was supposed to be wrapped up in two months but that guy from Seattle kept on coming up with new strategies – if you can call anything he did strategy.

He subpoenaed Silver Point's trading records. The judge quashed that and other subpoenas but directed Greenberg Traurig to release the Board of Director minutes and any documents related to Olevia Far East. Greenberg Traurig released some, redacted most of what they released and concealed others. It led to another one of those oops moments in court just as the judge was about to pass an order giving immunities to Greenberg Traurig and Silver Point and FTI Palladium. Brendan Shannon ignored the matter and signed the order to liquidate the company's assets for the benefit of Silver Point.

There is no doubt that Silver Point could have made a lot more money if Charles Cerny and his Seattle pal hadn't shown up in Court. The Wu Clan would have gladly paid O'Shea and Mule the \$60 million if the judge had delivered the forgeries.

I still blame Nancy Mitchell and Greenberg Traurig for taking a confrontational approach to what they thought was a temporary nuisance from two disgruntled shareholders. They should have just taken the two of them aside and cut a deal but they just didn't trust the guy from Seattle; he'd just take the money and turn around and write another book about how he took down O'Shea and Mule a notch or two.

You have to understand that even from the safe distance of Beijing, the discovery of the forgeries was the ultimate game changer and I didn't really have a Plan B. There was simply no way to plan for the tactics employed by Cerny and his pal.

There are always a silver linings in the darkest clouds. After about a year, I realized that something delightful had happened because nothing happened. The Bankruptcy Fraud Task Force investigated and submitted all the sordid details to Shannon Hanson, the Assistant U.S. Attorney in Wilmington and nothing happened. And nothing came out of The SEC's formal investigation either. Things went real quite. There were no indictments for forgery or for anything else. Everybody was happy to keep matters civil. There would be no criminal charges because the last person anybody wanted to catch was James Li and, except for Cerny and his pal, no one wanted the examiner's findings entered into evidence.

On February 18, 2010, I got a rare bit of good news. The Arizona Class action suit was settled and that was one legal liability out the window. My life was getting back to normal and I had learned to compartmentalize my emotions. Most days I no longer even thought about SBC or the bankruptcy proceedings.

Even Cerny drifted away and sued Silver Point and Greenberg Traurig in New York. But the guy from Seattle kept on coming back to court and every time he came back, the judge kicked him to the curb. At first, I couldn't figure out what he was doing. But then I realized he was going for a much bigger story.

So another motion to recuse Shannon was filed and while he was it, the guy from Seattle filed a motion to sanction a lawyer from the Securities and Exchange Commission. The lawyer's name was Alan Maza – the senior bankruptcy lawyer from the SEC who was assigned to the SBC bankruptcy proceedings and who never bothered to participate in any hearings and never ordered a single transcript.

That's when all the attorneys circled the wagon. Someday I'll get around to getting a final total on how many lawyers were involved in the SBC bankruptcy and related proceedings. The final figure is probably north of a hundred. And that figure does not even including thirty or government attorneys from the Justice Department, the Securities and Exchange Commission, the United States Trustee and, even, the Bankruptcy Fraud Task Force. And for what purpose? To protect Silver Point and Citicorp? To protect Greenberg Traurig? To protect Brendan Shannon? It certainly wasn't to protect me or Thomas Chow.

The guy from Seattle had expanded his target list. He wasn't coming after me anymore – he was going after the SEC lawyers and the Justice Department and he considered the judge to be nothing more than another corrupt lawyer on the government payroll.

Just five months after I was finally relieved of my legal liabilities in the Arizona Class action suit, the guy from Seattle filed his motion to sanction Alan Maza and used the hearing to dress down the government attorneys calling the SEC the most corrupt organization since Tammany Hall. He spent the best part of the hearing just hurling insults at the lead SEC attorney whose only defense was that the commission had the discretion to ignore the bankruptcy proceedings and that Alan Maza could not be sanctioned because he didn't participate in the proceedings.

The SEC didn't have any choice at that point. They finally got around to filing a complaint against me and Thomas Chow and Christopher Liu and Vincent Sollitto and Wayne Pratt. If you must know, I've been instructed by a District Court Judge in Arizona to return some money to the people I stole it from; but I don't have to give them a dime because I'm not in Arizona. By the time the Arizona Court around to issuing that unenforceable order, I'd been living as a free man in Hong Kong for four years. So that District Court Judge in Arizona did nothing but put a stain on my good name in Arizona and what did shareholders get out of it? Nothing.

It was a complete waste of taxpayer's money to come after me and anybody who thinks I intend to voluntarily cough up twelve million dollars in fines is not all there. I got off light compared to Thomas Chow. He was hit with \$48 million in fines. He didn't pay a dime either. Nobody pays SEC fines if they don't have to and the SEC doesn't have any enforcement method other than garnishing your personal accounts.

My personal accounts are in a jurisdiction where they can't be touched. This is how the real world works. In the rare event they pursue you, the SEC levies fines, issues a press release and never collects. Well if that was going to be the end result, why did they bother coming after me in the first place? It was just pure harassment. The SEC knew they wouldn't get a dime. They just wanted protection against the guy from Seattle and some other parties that were turning the screws on the SEC attorneys in the enforcement division including Christine O'Neil and Paul Gumagay.

I worked hard to steal a billion dollars and I was extremely generous with the people that helped me steal it. I have already shared what I intend to share with O'Shea and Mule and Nancy Mitchell and Gregory Rayburn and whole bunch of other people. One way or the other, they were generously compensated. Everybody got their fair share but I was the one left holding the short end of the stick.

Things didn't quite go as I expected and I was resigned to the fate of a wealthy man exiled in Hong Kong, the perfect refuge to ride out the Great Recession that followed the crash of 2008. As the individual with the ultimate responsibility for assuring my personal safety, I had to deal with the reality that I would be restricted to the confines of the territory of the People's Republic of China and Hong Kong. As America turned off the lights in 2008, on the other side of the Pacific, the Chinese economy was roaring ahead at a clip of 9% annual growth. No one should make light of exile but China offered up considerably more lucrative opportunities in a market that was about to explode with IPOs. It goes without saying that Hong Kong Rules are infinitely easier to apply in Hong Kong.

In retrospect, I had applied Hong Kong Rules to perfection; but once I turned over the game to other players, the actors charged with executing the bankruptcy transaction were left to deliver their best performance in an arena where they were certain to be rewarded with well-deserved applause from a very pliable judge. Not only was this new cast playing by Wilmington rules, but a number of the most critical scenes took place behind a series of veils with multiple shades of transparency that can only be discerned by those who practice the legal craft.

I can only conjecture about the privileged exchanges that take place between Ivy League lawyers and judges when they withdraw to their own inner sanctums. All I ever got to see was the final score.

The Final Score

In most games, the only thing that really matters is the final score. For over ten years, I had seduced multiple players to join me on my billion dollar venture and, for the most part, they all played nice. The path I started on over a decade ago led me to encounters with some very sophisticated parties who were not immune to my power of persuasion. And once they were sufficiently enticed by my hologram, I had no choice but to incriminate as many people as I could. That's the ultimate Teflon shield.

Each of the actors had their peculiar reasons, but they all bit on the same bait and, once entangled, they just wanted to take what they could get and never look back.

Along the way, a number of players walked off the field with red cards like the class action suit in Arizona. It's all part of the predictable, unavoidable and insufferably long games that are eventually settled by a tie score. The case in the District Court of Arizona was bound to be discretely ironed out by the Honorable Frederick J. Martone and the sixty odd attorneys sucking at the teat of the Directors and Officers Insurance policy. It's all a matter of aligning interests and making sure civility prevailed and the lawyers were paid. The Arizona court's verdict was a civil verdict and it was no skin off my back because both the settlement and my legal fees came out of the Directors and Officers insurance policy.

The Vivitar transactions also worked out brilliantly. I had purchased Vivitar with worthless SBC shares and the brand name alone was sold for \$13 million. The estimate was that they would get another 20 million and so for Vivitar's assets. Everybody, especially Silver Point, got something out of the Vivitar deal. As a bonus, KPMG Corporate Finance was recognized by its peers with the 2009 Atlas Turn Around. In the Securities Fraud Industry, winning the Atlas awards is like winning the Oscars.

The elegance of the entire process was that I wasn't even the one who executed the Vivitar transaction. That entire chapter was choreographed by O'Shea, Mule, Rayburn and Nancy Mitchell, the chameleon chain-smoking bulldozer who led the Greenberg Traurig legal team.

I had closed the loan with the commercial bankers at Preferred Bank and the whole messy Merrill Lynch transaction was now behind me.

I can now comfort you with the good news that the Securities and Exchange Commission is in my rear view mirror. When they finally were coerced to come after me, they did it with kid gloves. All I ever agreed to do was promise to never deny the charges against me. That's how the SEC usually settles matters. You don't have to confess to anything and I avoided being subjected to the kind of humiliating public trials before jurors who could never really be my peers. The average juror couldn't understand half the story and it would be difficult to make a case. That's the excuse the SEC usually resorts to when they exercise their discretion to not follow up on a case.

In exchange for being let off so lightly, I agreed to pay a twelve million dollar fine and I've just never gotten around to writing a check. Thomas Chow never paid his \$48 million fine either. So far, the Securities and Exchange has managed to recover \$34,000.00 by placing liens on an IRA account I forgot to liquidate before skipping town.

I'm not boasting; I'm just telling you how the real world works. I got caught red-handed with forgeries representing hundreds of millions of dollars in fake transactions and if all the SEC

wanted was \$34,000 – they can have it. I’ve lost more money on a weekend trip to Macao. The lesson learned was that I should have liquidated my IRA before skipping town.

Before scoring my performance, you have to take into account the theory of probability. I mean what is the probability of not one but two meteors coming at you from out of the clear blue sky. Cerny and his pal were outliers. It just never happens that two pro se litigants take on the biggest law firms in the country and when it does happen the results are all too predictable.

I’ll grant that Cerny and his pal busted up the furniture and that their involvement ended up exposing the forgeries. I mean we were done before we were undone by these two intruders from outer space. But you know what Cerny and that other guy never managed to do is get the forgeries entered into evidence. The best Judge Shannon was willing to do is file the forgeries under “preliminary findings.” The effect of that was that the turned over physical custody of the forgeries to Gregory Rayburn and Nancy Mitchell, the same people who had concealed them from the court.

So some of the other outcomes shouldn’t surprise you. Nancy Mitchell, Gregory Rayburn and O’Shea and Mule not only survived the bankruptcy proceedings but were bestowed with total and permanent immunities enshrined into law by Judge Brendan Shannon.

I am not going to mask my disappointment or pretend that things worked out the way I planned. The world is not a tidy place. After all, there’s that \$12 million dollar judgment hanging over my head on top of the \$48 million dollar fine owed by Thomas Chow. And there is still that outstanding arrest warrant against John Wu and his son. But warrant or no warrant, Silver Point won’t make a public fuss about the Wu Clan because Judge Shannon issued an order conveying all causes of action against the Wu Clan to O’Shea, Mule and their partners. And O’Shea, Mule and the Wu Clan should find their way to a suitable, discrete and civil arrangement. If you can negotiate one crooked deal – you can always negotiate another.

In the event we got caught, I had put into place strict rules of disengagement. When you get thrown off balance by a truck load of forgeries suddenly appearing in court, it was a foregone conclusion that everybody would run for cover. Greenberg Traurig secured safe haven by throwing me to the dogs at the first sign of trouble. To add insult to injury, they collected ten million dollars in fees for their services.

But there was a silver lining. Even when matters got real bleak, not a single lawyer participating in the Arizona class action proceedings or the Chapter 11 case in Delaware had any incentive to scream out ‘forgery.’ All their regal vestments were now tainted by the foul smell of my brilliant forgeries and they all chose to hold their noses and pretend that their eyes could not see. This was not a case of the blind following the blind. Au contraire, it was a case of the wild eyed following the wild eyed in a ritual dance around a funerary pyre lit to consume all traces of the James Li’s secret of the inner sanctum.

Now some might assume that I am rigging the score in my favor but then I would be obliged to bring to their immediate attention the location of my beating heart and my living breathing body which are now safe and sound in Hong Kong. As far as I am concerned, I've settled all the scores that needed to be settled. Others will have to settle their own scores and that includes my lawyers and O'Shea and Mule. Frankly, I couldn't give a damn what happens to them.

Let's get back to the guy in Seattle. He ended up on the receiving end of an eight year run around from Judge Brendan Shannon, the US Trustee, the Securities and Exchange Commission and the U.S. Attorney General. Like Cerny, he was treated like a disruptive alien from cyber space who had to be gently escorted out the back door with directions to another planet. As far as the judge was concerned, Cerny and his pal had no business inviting themselves to his court.

It is an article of faith among the legionnaires who prowl the dark corners of the financial markets that people like Cerny will never impertinently intrude when Delaware's gentlemen at court retreat to their privy chambers for serious discussions in the distinct dialect of the Securities Fraud Industry.

I will have to leave the final word to the man from Seattle. But before I do that, I will end my confession with a few parting words. I find Cerny and his pal to be completely sympathetic characters and I am truly sorry for their losses. But this is just the way the world works. I meant them no harm and if harm was inflicted, it was not inflicted by me alone.

All I did was play a very rewarding game and the results speak for themselves and with results like these, you have to agree that the temptation is irresistible. My partners and I have since parted ways and none of us are subject to any further legal action. We've cut our losses, held on to our gains and moved on. We actually walked away with more than money than we expected by keeping the \$60 million we were going to pay Mule and O'Shea for the skeletal remains of SBC and the return of the forgeries.

When the Wu Clan took off for Taiwan, Silver Point got stuck with a Brand Name that had no supply chain and a contract with only one big box distributor, Target. When Target cancelled all its orders, there was nothing left to liquidate except a heap of forged documents and some domestic account receivables.

Once the forged documents failed to pass the examiner's sniff test, we closed shop and scurried away to a safer jurisdiction. We knew enough not to wait for the examiner to present his findings to Judge Shannon in front of the United States Trustee, a representative of the Justice Department. At that point, it really wouldn't have mattered if we had physical possession of the forgeries because no citizen is allowed to be in possession of forgeries. If you traffic in forged documents, you're a forger. It's a law as ancient as the first crime of counterfeiting. I wasn't about to take any chances and neither was John Wu.

If anybody was ever going to come chasing James Li for forgery, they'd have to explain why they didn't do it when they had the forgeries in their hands. I'm long gone and I've settled accounts with the government of the United States of America and, considering the circumstances, I found the terms to be extremely advantageous.

Last summer – early July – I got another one of those calls from Thomas Chow. Some character had come by his Hong Kong office looking for us. Chow was in the back office but close enough to hear the conversation. It was the guy from Seattle and the forgeries were back on the front burner. Some people never give up and some people are just looking for a good story to write. And I will confess this, the promise of authoring a full blown expose with the real names of judges and regulators can be very intoxicating. And the guy from Seattle was driven by some crazy notion that his complaints would get a fair hearing in Delaware. That wasn't going to happen.

Now that you have the final score in your hand, I am obliged to ask a few straightforward questions. If you had a chance to steal a billion dollars and get away with it - could you resist the temptation? If you knew with some certainty that even if you got caught, the regulators and judges would turn a blind eye to your crime - would you succumb to the seduction? Can you even imagine what it's like to commit the perfect Billion dollar crime? Take Cerny and his pal out of the equation because that was just a freak accident. If they were not part of the scenario, would you take the risk?

There are only two kinds of people in the world – predators and prey. I chose to be a predator and I did it for very rational reasons. When you consider the odds and contemplate the allure of instant riches, there really never was any cause for me to dread spending a night in jail. And if you want to come after me, you'll have to get past my water boy – judge Shannon. If it wasn't for Shannon, my journey would have been considerably more taxing. Thank you, your honor. Long may you live and prosper. Now get on with it and destroy the forgeries.

The Last word from the Guy from Seattle

I suppose by now it will have dawned on most readers that James Li wouldn't need royalties from publishing a confession after successfully stealing a billion dollars and escaping the jurisdiction of the United States. So I was left but no option to write it on his behalf using publicly available documentation in SEC filings, court dockets, press releases and other sources that I have been compiling over the last eight years.

Brendan Shannon has actually been promoted since the last time I tangled with him and now holds the lofty title of Chief Judge in the United States Bankruptcy Court in Delaware which handles nearly half of the corporate bankruptcy cases filed in the United States. I've been calling out Shannon for seven years and I hope this book will ultimately result in his indictment and a bit of time behind bars for the abominable crime of crushing the due process rights of 30,000

innocent victims, suppressing the evidence of James Li's billion dollar crime and diverting tens of millions of dollars to Silver Point, Greenberg Traurig and FTI Palladium. As a bonus, Shannon eviscerated hundreds of millions of dollars in causes of action that could have resulted in considerable restitution to the victims of this billion dollar heist.

As previously noted "the one glaring flaw of primitive Ponzi scams is that it's impossible to bury the evidence of criminal activity." James Li and his associates thought they had a solution to that problem. And the solution was to bury the forged documentation in the books and records of SBC and transfer the uninspected evidence of their heinous crime into the hands of the Wu Clan along with the skeletal remains of SBC's City of Industry assembly line.

Had it not been for the intervention of a few angry shareholders, James Li's brilliant forgeries would have been destroyed the minute they were placed in the hands of John and Michael Wu, two of the prominent members of James Li's Taiwan/Hong Kong cabal. Once the examiner got a close look at them, James Li and his partners took to the hills because they had no way of knowing how Judge Brendan Shannon would react or how far he would go to suppress the evidence.

Maybe if James Li and the Wu Clan had hung around for a while, they would have warmed up to Shannon and realized that he was the real deal – a corrupt judge who always carries water for folks like O'Shea and Mule.

In Brendan Shannon's court, the Secret of the Inner Sanctum remains buried under a mountain of fabricated documentation that was entered into the records of the Bankruptcy proceedings by Nancy Mitchell, Gregory Rayburn, Silver Point and Citicorp. Regardless of the evidence that later materialized, the bankruptcy schedules and the sworn affidavit of Gregory Rayburn remain the gospel truth in Shannon's court.

James Li sat on his brilliant forgeries for three years before passing them onto Shannon who has now been sitting on the same heap of worthless paper for seven years in full view of dozens of government attorneys working at the Securities and Exchange Commission, the Justice Department, the United States Attorney General, the Bankruptcy Fraud Task Force, The Secret Service and the FBI.

Just for the record, the Bankruptcy Fraud Task Force referred the case to the United States Attorney General who never acted on the referral. And it's a good guess that the Attorney General's office in Delaware was subjected to an appropriate amount of influence before deciding to throw the referral into the garbage bin.

When you bury a case involving forged documents that were used to inflate sales by \$400 million, you'd better have a good excuse. I am not going to speculate on the reasons the Justice Department buried the bankruptcy fraud investigation against Silver Point, Gregory Rayburn and Nancy Mitchell. You can always ask them and they'll never tell you. If they told you, it would put

a serious dent in the Securities Fraud Industry and that's one industry they can't do without in Wilmington.

The only problem Judge Shannon has now is that he hasn't been able to bury the forgeries and they remain in his custody. In a sense, he was the one left holding the bag and like everybody else familiar with the case, those forgeries were the original sin.

By law, Brendan Shannon is a forger who acted in common cause with James Li. If you forge documents, you're a forger. If forged documents comes into your hands, you're supposed to report it to the FBI and the Secret Service, in the same way you report forged currency. And if you don't report them, you're a forger. Of course, the same can be said of the Securities and Exchange Commission who inspected the forgeries, determined that they were used to inflate SBC's sales by \$400 million and then returned the forgeries to Geoffrey Berman, the SBC liquidation trustee.

Once a bankruptcy judge sees evidence of fraud and forgery – he's supposed to dismiss the case and appoint a Trustee and refer the matter to the Justice Department. With the discovery of the forgeries, Judge Shannon knew that he no longer had proper jurisdiction because the case now included fabricated bankruptcy schedules entered into the record on the strength of Nancy Mitchell's perjury and Gregory Rayburn's discredited affidavit.

When you walk into a bankruptcy court and propose a transaction that involves burying evidence of forgery and you get caught in the act, the consequences can be pretty severe. If an individual filed a Chapter 11 petition and so much as concealed ownership of a used car, chances are the court will take appropriate remedies and bring the matter to the attention of the Attorney General's office. And if the judge doesn't take the initiative, his delinquency can be corrected by the United States Trustee whose job description is to insure the integrity of the process.

Brendan Shannon knew he was committing a crime of forgery when he dismissed the findings of James Feltman, the independent examiner. The examiner had put samples of the forged invoices and shipping documents related to the phantom Asian Sales right in Judge Shannon's hands and explained to the judge in no uncertain terms that they did not represent real sales. And the judge's response suppress the evidence by classifying them as "preliminary findings."

Feltman had pointed out to the judge that his expenses could be paid out of the insurance policy, but Shannon just didn't want to hear any more about the forgeries – he wanted James Li's brilliant scheme to be contained in his court.

Shannon knew what would happen to the attorneys in his court if the case was dismissed and the matter was handed over to the Justice Department. And he knew what the implications would be for his old Silver Point clients, O'Shea and Mule. So he chose to crush the due process rights of 30,000 unrepresented swindled investors.

There was one man in the bankruptcy proceedings who could have taken Judge Shannon to the shed and put a stop to the judge's criminal activities. That man was Mark Kenny, the United States Trustee. My impression of Kenny is that he just didn't want to exert the effort and was just happy to have a nice cushy government job. Kenny didn't actively engage in concealing the forgeries, he just took a neutral stand on the matter. He was the one the one who should have been screaming at the judge to dismiss the case and refer matters to the Attorney General.

Mark Kenny knew that the Bankruptcy Fraud Task Force had made a referral to the Attorney General and he also knew that the investigation had been put to bed and he just looked the other way. That's just standard operating procedures in Delaware – the most crooked state in the union.

I used to have a rather friendly rapport with Kenny. The last two hour conversation I had with him, he claimed he wasn't even sure if there was any evidence of forgery. Six years after the forgeries were discovered, Kenny is standing his ground. In his exact words, the existence of the forgeries are a "legal theory."

Aside from taking the extreme measures of firing the examiner and closing down his investigation, Brendan Shannon tried to destroy the evidence of the forged documents twice. The first time was when he approved the Sale of Assets Agreement six weeks before the examiner reported to the court on Aug 20th, 2008. Fortunately, the agreement was never consummated because the Wu Clan got cold feet and had to skip the country.

Brendan Shannon tried to derail the investigation by delaying the appointment of an examiner. He finally got around to it two weeks after he issued an order to destroy the evidence of forgery, extinguish all claims against SCHOT and Olevia Far East and transfer the Olevia brand name to the Wu Clan. That was, after all, in keeping with James Li's endgame.

Despite resistance from shareholders, the same judge who had casually passed an order to transfer \$3.5 million to James Li's brother in law at the first day's hearings, managed to postpone the examiner's report until October 6, 2008 – three months after the Nancy Mitchell and her Greenberg Traurig colleagues filed the fraudulent SBC bankruptcy petition, the associated schedules and Gregory Rayburn's affidavit. And when Shannon didn't like the dirt the examiner uncovered, he simply entered an order to dismiss him.

That's the kind of Judge I had to deal with for seven long years. When you experience that kind of judicial tyranny, the only recourse is to motion for a recusal of the judge. And guess who got to decide whether Shannon was recused from the case – Brendan Shannon.

As part of my recusal motion, I filed an unusual document - a draft copy of "The Sheep in the Guardians" which pointedly told the judge what I think of him. I told him flat out that "some people in public office should not be seen in public." May judge Shannon wallow in shame for the rest of his natural life.

I didn't just think that Judge Shannon was biased. I recognized very early on in the process that he was not the kind of man you can trust with other people's money and I still contend that Brendan Shannon needs to find another line of employment more suitable to his criminal tendencies and his complete lack of ethics.

As a private lawyer, Brendan Shannon had not only represented Silver Point in a case that also involved Gregory Rayburn, he had been a colleague of Victoria Counihan, who is now a Deputy Attorney General with the Delaware Department of Justice. In private practice, Both Shannon and Counihan were veterans of the seedy corporate bankruptcy industry that has flourished in Delaware for the last three decades and they had worked together under the same roof - Young Conaway Stargatt & Taylor. Another lawyer who worked for the same law firm was Robert Brady. He would come to play a very important part in the bankruptcy proceedings.

If you want to know how close Robert Brady and Judge Shannon are, you only have to read what Shannon has to say about their collaboration in all sorts of mischief. "I do recall one vintage Judge Balick experience where I was at my desk and an attorney I worked with, Bob Brady, his secretary showed up in my doorway and said you need to go to Bob's office. Judge Balick is on the phone and she wants to talk to you which pretty much stopped my heart cold. And I go over and you're on speaker and Bob says, Judge, Shannon just walked in. And you're on speaker and so you said "Okay Boys, I'm going to call you boys because I'm going to yell at you. You both have been doing something and you need to stop it. It was something about filings. It was nothing terribly inappropriate but I will never forget that."

So even in private practice, Brendan Shannon was not above engaging in activities that were not "terribly inappropriate" with his old buddy, Bob Brady. In light of my experience with Shannon, it's safe to assume that "not terribly inappropriate" means Shannon and Brady committed bankruptcy fraud even in private practice.

When Nancy Mitchell needed representation to defend herself against charges of misconduct in the SBC case, guess who Greenberg Traurig hired as an attorney – Robert Brady. Brady and Shannon continue their criminal collusion just like the good old days. You just can't make an honest judge out of a lawyer who cut his teeth running errands for financial mobsters like O'Shea and Mule.

When the United States Trustee, Roberta DiAngelis, filed her motion for an appointment of the examiner she gave a number of reasons to justify her request. "Before proceeding with an asset sale that will substantially deplete the assets of SBC, there should be an investigation of, among other things, the facts and circumstances surrounding the sudden decline in the SBC's assets or the value thereof; the bona fides and necessity of the proposed sale of substantially all of the SBC's assets to TCV; the relationships among and between SBC, TCV, Kolin, Digimedia and the past and present principals, officers and directors of SBC and of those entities; and the ability and inclination of the SBC's current management (Gregory Rayburn) to investigate and pursue

potential claims and causes of action against the SBC's former officers and directors, including the directors who selected the Gregory Rayburn as chief executive officer."

The US Trustee's motion pointed out that SBC had not released financial information to shareholders since reporting the Golden Numbers of September. There was no explanation for the sudden decline in SBC's assets and \$323 million dollars in shareholder equity had evaporated without a trace. DiAngelis also noted that "the composition of Assets and liabilities is not known at this time."

DiAngelis had asked the court to wait for the examiner's findings *before* proceeding with selling SBC's assets and books and records to TCV.

Once Shannon got his hands dirty, there was no going back. He had already recklessly tossed \$3.5 million to James Li's brother in law and he had to protect himself. He knew that if a Trustee was appointed, there would be serious questions about why he acted in such haste and without the presence of other parties of interest and the only answer he would have is that he was turning a trick for Silver Point and Greenberg Traurig.

When the Wu Clan took off for Taiwan, Shannon found himself in a bit of a squeeze because there was precious little worth liquidating – except for causes of action against the parties that had attempted to cover up James Li's forgeries and taken their fair share of the billion dollar heist.

A few months later, Nancy Mitchell and Gregory Rayburn made another attempt to destroy James Li's forgeries by submitting a liquidation plan to the court that gave them complete immunities and eviscerated shareholder claims. Both Cerny and I tried to derail the illicit proceedings but to no avail. Even a minor request to inform defrauded shareholders of the examiners findings was denied by the court.

The Liquidation plan passed the forged documents to a Trustee, Geoffrey Berman who continues to have possession of the forgeries. I have been informed that the forgeries which were minted in California are now in Arizona. So somebody took the forgeries across state lines for the purpose of eventually destroying them.

One of the purposes of this book is to prevent the destruction of the forgeries and to get them admitted into evidence. The first copy of this book will be sent to the court appointed Liquidation Trustee, Geoffrey Berman, the former President of the American Bankruptcy Institute and his lawyers at Pepper Hamilton. Berman knows that he is in possession of forged documents and I have impressed upon him the importance of turning the forgeries to the FBI or the Secret Service. But even if Berman has physical possession of James Li's forgeries, the forgeries are legally in the custody of Brendan Shannon. Shannon has already ordered the destruction of Vivitar's books and records and is itching to destroy the SBC forgeries. Somebody needs to collar that delinquent judge before he does any more damage.

The forged documentation has actually been admitted into evidence by the Third Circuit Court in Philadelphia and that should give you an idea of the kind of services you can expect from a former President of the American Bankruptcy Institute. Berman has actually sued Preferred Bank and entered the forgeries into evidence. So, James Li's forgeries are forgeries only when Berman wants them to be forgeries.

The other people that have had access to the forgeries are the attorneys in the enforcement division of the Securities and Exchange Commission. In fact, the SEC has inspected SBC's books and records and determined that James Li forged documents representing \$400 million in sales. They finally got around to doing their job after a considerable amount of pressure from me and another shareholder, Cliff Bauxbaum, who spent three years hounding the SEC enforcement division to do their job. Even with the evidence in their hands, the SEC did not seize the forgeries and hand them over to the FBI or the Secret Service. They just inspected them and returned them to Berman.

On April 4, 2012, four years after the examiner discovered the forgeries, Judge Susan R. Bolton of the United States District Court for the District of Arizona entered a final judgment against James Li. The Court ordered James Li to pay 11.6 million for his role in the financial fraud scheme. Judge Bolton also imposed an officer and director bar against Li. I am sure that must have really hurt James Li's feelings. Thomas Chow was fined \$48 million. Of course, neither Li nor Chow was in court to hear the verdict and they had no intention of complying with the judge Bolton's orders.

When the crooks wouldn't pay up, I filed a motion for contempt against James Li and Thomas Chow for failure to cough up the dough which, by law, would be distributed to defrauded shareholders. The SEC opposed the contempt order. Now you might be inquisitive about why the SEC would defend James Li and Thomas Chow against a contempt order. I mean the crooks were only being asked to pay restitution that would cover only a small fraction of the economic damage they had inflicted on thousands of innocent investors. Judge Bolton and the SEC can answer that question but she'll never tell you. It had something to do with some legal documents the SEC filed under seal with the court. I can only guess what they put in front of the judge. I have to assume it has something to do with the SEC and their counterparts in Hong Kong. To get the judgment, the SEC must have agreed to give James Li and Thomas Chow some kind of blanket immunity from further legal action including contempt charges.

The last thing the SEC wants is to collar James Li or Thomas Chow. Can you imagine the kind of plea bargaining James Li would engage in – the names he would name – the way he would drag O'Shea and Mule and Rayburn and Mitchell through the mud to get a lighter sentence.

The whole Securities Fraud Industry is built on a single paradigm. In the event anybody gets caught in a white collar financial mischief – admit nothing, keep matters civil and settle out of court. Nobody gets charged with any felonies and nobody goes to jail. That's why the SEC passed

the forgeries back to Geoffrey Berman after inspecting them. Why any government law enforcement official would return forgeries to a private party is beyond me.

It shouldn't come as any news that the Securities and Exchange Commission is the single most corrupt law enforcement agency in the United States Government. The SEC attorney assigned to the SBC case, Alan Maza, never even bothered to show up in the bankruptcy proceedings. So I filed a sanctions motion to get him to do his job. The SEC didn't believe Maza had an obligation to do anything. In fact, they argued that since Maza hadn't engaged in the proceedings, he couldn't be sanctioned. And, in any case, the SEC made it clear to the judge that they had the discretion to ignore the case. Of course, the last thing Shannon wanted was SEC intervention so the outcome was that Maza walked away without ever being held accountable for his negligence.

But don't blame Maza. He was just following orders to stay clear of the bankruptcy proceedings. It took a book and a few calls from a Bloomberg reporter to even get the SEC to open a formal investigation. They were content to bury all evidence of the billion dollar forgery scam until they faced the threat of litigation. And even then, they passed the forgeries back to Berman, who is now holding some real hot potatoes in his hand. In terms of concealing forgeries, Berman is as guilty as Judge Shannon.

The SEC complaint contained this gem "from at least June 2006 through April 2008, Li and other members of Syntax's senior management engaged in a complex scheme to overstate Syntax's revenues and earnings and artificially inflate its stock price. The scheme included the creation of fictitious sales and shipping documents and coordinating the circular transfer of funds among and between Syntax, its primary manufacturer in Taiwan, and its purported distributor in Hong Kong to make it appear that fake invoices were being paid."

To make a long story short, Brendan Shannon protected the crooked lawyers who conspired with James Li and his associates to bury the forgeries, protected Gregory Rayburn, protected O'Shea and Mule, protected the SEC lawyers who failed to make an appearance to defend shareholders' interests even after they were fully informed of the bankruptcy fraud. And, in turn, everybody protected Brendan Shannon – including the United States Trustee, the Attorney General and the Securities and Exchange Commission. Even the FBI and the Secret Service refused to pick up the forgeries. That takes political pressure and not just from the operatives in Delaware.

I can assure you that if the SBC fraud scam is ever scrutinized and subjected to a comprehensive criminal investigation, heads will roll. Judge Shannon would be indicted. Kenney would definitely be toast. The SEC attorneys would probably be disbarred and perhaps criminally indicted for concealing forgeries. Nancy Mitchell, Gregory Rayburn, O'Shea and Mule would be doing hard time for conspiracy to commit bankruptcy fraud and the Attorney General's office in Delaware would have to be fumigated. The Secret Service and the FBI would also have to explain why it didn't pick up the forgeries.

James Li was long gone before Nancy Mitchell and Gregory Rayburn perjured themselves on behalf of Silver Point and the Taiwan cabal. James Li had no personal influence on Shannon or the United States Trustee. That kind of influence can only be exerted by some very special actors – the giant Wall Street law firms that pedal their wares in the Securities Fraud Industry.

Few law firms in the country wield the firepower of Greenberg Traurig. Add to their arsenal, the power of the law firm that represented Silver Point in the bankruptcy proceedings - Weil, Gotshal & Manges – an international law firm that boasts a staff of 1,400 lawyers. With that kind of firepower, it's not that difficult to make a judge act like your water boy.

James Li's Billion dollar heist wiped out the life savings of Cerny and many other shareholders. One of them was a Dentist from Philadelphia who had pleaded with Shannon to dismiss the case. When he lost hope, he committed suicide. I think it's fair to say that his blood is on the hands of Brendan Shannon, Nancy Mitchell, Gregory Rayburn and O'Shea and Mule.

Too Big To Sanction

For four years now, I have been trying to sanction Nancy Mitchell for spoliation of evidence and fraud on the court. Brendan Shannon would have none of that because if he did sanction Mitchell, he would also have to dismiss the bankruptcy petition and refer all the bad actors to the Attorney General. That was not going to happen in Shannon's court. To avoid the odious task of disciplining Mitchell, Shannon ruled that I did not have the status to sanction Mitchell.

It took Shannon one year to issue an order on one of my motions and then he asked me to go to Wilmington to argue the motion a second time before entering the order. This is the same judge who issued orders right and left on the First Day's hearing, 24 hours after Nancy Mitchell and Gregory Rayburn filed the SBC bankruptcy petition.

Shannon was determined to exhaust me. And he almost did. Except that, after being swindled by James Li, I was not really willing to accommodate a corrupt judge making common cause with the crooks who stole my life savings.

I appealed his rulings to the United States District Court in Delaware. The appeal sat on the dockets for two years and then the judge issued an order that I was a day late in filing my appeal. So I took the matter to the Third Circuit along with evidence of the forgeries. And the Third Circuit ruled in my favor but wouldn't take a position on the forged documents.

That's how the justice system handles a Hong Kong Rules Ponzi scam. It just ignores the evidence – especially when the evidence implicates a judge.

I will be filing this book as an exhibit in the District Court of Delaware in the hope that justice will prevail. It probably won't but at least I got a book out of it.

The Indictment of Brendan Shannon

One of the things that I managed to do during this seven year journey in the belly of the beast is to gather enough evidence to justify the indictment of Brendan Shannon. Without corrupt judges like Shannon, the Securities Fraud Industry would lose its most vital pillar. I don't know if Shannon takes bribes or if he dispenses his favors for other consideration or if I just caught him with his pants down and he was protecting himself. But if I had to take a guess, I'd say it's probably a combination all three. There is no way a judge would be that corrupt unless he was getting something out of the deal.

At the end of the day, anybody who conceals evidence of forgery is a forger. Shannon knows that and I suspect that's why he kept on digging a deeper hole to bury the evidence. The record of the proceedings demonstrate beyond a reasonable doubt that Shannon suppressed evidence of the forgery, suppressed discovery, sanctioned misconduct and perjury and ignored outright bankruptcy fraud by Nancy Mitchell and her co-conspirators.

Ultimately, Shannon is as much of a swindler as James Li. That's why his face is on the cover. Had it not been for his inequity and bias, the outcomes of the proceedings would have resulted in criminal charges against Nancy Mitchell, Gregory Rayburn, Edward O'Shea and Robert Mule. It would have also resulted in considerable restitution for 30,000 shareholders.

For an American Judge to make common cause with a cabal of Taiwanese swindlers borders on treason. I've heard about Delaware's corrupt judges before but my involvement in the SBC case opened my eyes to the extent of abuse of power in the judiciary. All the proceedings took place in kangaroo courts that would have made Joseph Stalin proud. No juries. No representation for defrauded shareholders. There was not even a pretense of justice.

Personally, I find it difficult to distinguish between James Li and Shannon. It takes sociopaths to inflict so much harm on so many innocent people. To this day, the forgeries are in the legal custody of Brendan Shannon and instead of reporting them, he has twice attempted to destroy the evidence and has already approved the destruction of Vivitar's books and records. He fired the examiner to protect the lawyers in his court because, at his core, he is still a member of a fraternity of sleazy lawyers who infest the Wilmington corporate bankruptcy fraud racket.

I doubt that SBC is the only case where Shannon has conspired with his former associates to suppress evidence of massive fraud. From what I observed in court, Shannon issues his criminal edicts with little hesitation. Only the most corrupt of judges would nonchalantly bury evidence of a billion dollar crime.

One of the reasons I kept going back to his court is to put Shannon on trial and to make certain that the evidence of his conspiracy to cover up forgery could not be disputed and to protect the evidence from being destroyed. I must say that I loathe Shannon more than I despise James Li. It is one thing to be fleeced by a Taiwan based criminal syndicate and quite another to be to be

defrauded in open court by a judge who swore to uphold the constitution and the law of the land.

In the final analysis, Shannon stole money from shareholders and directed it to his former clients, O'Shea and Mule. Shannon served his masters well but it came at the expense of so many of the little people who lost their life savings. He never seemed to understand that he was a legal custodian and nothing more than a government appointed administrator and that the money wasn't his to allocate as he pleases.

To this day, due to Shannon's lawless conduct, James Li's victims have yet to be informed that they lost their money to a massive Ponzi scam fueled by forged documents that inflated SBC's sales by \$400 million. What do you do with a judge like that? In the event that the law of the land still applies to a judge engaged in the concealment of forgeries in his custody, he should be indicted for criminal conspiracy.

A man who is so indifferent to the public interest has no place on the bench. He really needs to find another line of work.

Roll Call

I think it is fitting to end this book with a roll call of all the delinquent attorneys who had a role in covering up James Li's brilliant forgeries. But before I do that, I want to leave the reader with a bit of information that will convince you of the depravity of the government attorneys who were engaged in the bankruptcy proceedings. This should also shed light on the utter contempt Shannon had for the 30,000 investors who were defrauded by James Li and his associates, Greenberg Traurig, Gregory Rayburn and O'Shea and Mule.

Of the 30,000 shareholders who were unrepresented in Shannon's court, only a handful are aware of James Li's brilliant forgeries. The SEC has never informed them and Brendan Shannon refused to include the examiner's findings in the obligatory disclosure. None of the law enforcement agencies involved ever bothered to contact shareholders and inform them that they had been a victim of a fraudulent and sophisticated heist engineered by a ring of international forgers based in Taiwan. I hope a few of them get to read this book and take the matter up with their elected representatives because this has to stop.

Like Martin Luther King, I truly believe that the arc of the moral universe is long, but it bends towards justice. Sooner or later, I will prevail. I have no doubt in my mind about that. I hope this book finds Shannon, Mitchell, Rayburn, O'Shea and Mule in good health. One needs to be in the best of health to endure hard time in a federal penitentiary.

In the meantime, the following is a partial list of the attorneys and law firms and judges who ignored the evidence of forgery, bankruptcy fraud, perjury, embezzlement, fraud on the court and spoliation of evidence. Add to those charges conspiracy and you realize the incentives Brendan Shannon had to sweep the forgeries in his legal custody under the carpet.

There is no statute of limitation on forgery. By law, concealing forgeries is considered an act of forgery. With that, I rest my case against Brendan Shannon and his co-conspirators.

List of Government Attorneys Who Know About the Forgeries

David Mills – Secret Service - Seattle (The Secret Service refused pick up the forgeries. Other shareholders contacted David Mills and he refused to assign a case number and ignored the documentation that we provided him)

Agent Shelly – FBI - Seattle (Agent Shelly decided to give me a medical diagnosis instead of a case number. She threw my request including copies of the forgeries in the garbage because she determined that I was unstable. I didn't contact the FBI to get a mental health evaluation. Even if the Agent Shelly's diagnosis is correct – she was still obliged to investigate the allegations of forgery).

Office of the United States Trustee – Department of Justice

Mark Kenney (Office of the US Trustee)

Pat Tinker (Office of the US Trustee)

Roberta DiAngelis (Office of the US Trustee)

The Attorney General – Department of Justice

Lauren Paxton – (Assistant US Attorney – Delaware)

Shannon Hansen – (US Attorney – Delaware)

Thomas Sorrentino – (IRS Criminal Investigator – Bankruptcy Fraud Task Force - Delaware)

W Bradley Russell – (Trial Attorney – Tax Division – DOJ)

Securities and Exchange Commission

Alan Maza (SEC – Senior Bankruptcy Counsel)

Neal Jacobson (SEC Senior Trial Counsel)

Alistaire Bambach (SEC Senior Trial Counsel)

Melinda Hardy (SEC Office of General Counsel)

Paul Gumagay (SEC Attorney – Enforcement Division)

Christine Neil (SEC Attorney – Enforcement Division)

Rachel Nonaka (SEC Attorney – Enforcement Division)

Nancy Ellen Tyler (SEC Attorney – Enforcement Division)

David Williams (SEC Attorney – Enforcement Division)

Sean McKessey (SEC Director – Office of the Whistleblower)

Michael Hurwitz (SEC Senior Counsel – Office of the Whistleblower)

Partial List of Attorneys Who Concealed the Forgeries

Nancy A. Mitchell (Greenberg Traurig – lead attorney)

Victoria W. Counihan (Greenberg Traurig Lawyer)

Joseph P. Davis (Greenberg Traurig – Trial lawyer)

Steven Karotkin (Weil Gotshal – lead attorney for Silver Point in the SBC case– (Weil Gotshal is one of the biggest law firms in the country and Karotkin was one of the lead attorneys representing General Motors in its historical chapter 11 case – this crook actually teaches law at NYU)

Paul N. Heath (Richard, Layton and Finger – Represented Silver Point in the SBC proceedings)

Robert Brady (Young Conaway Stargatt & Taylor - Defended Nancy Mitchell against sanctions – longtime friend and colleague of Judge Shannon)

Emmet T Flood (Williams & Connolly – Counsel to the President of the United States – Law Clerk – Antonin Scalia – US Supreme Court)

David Stratton (Pepper Hamilton – Attorney for the Liquidation Trustee who has possession of the forgeries)

David Fournier (Pepper Hamilton – Attorney for the Liquidation Trustee)

Evelyn Meltzer (Pepper Hamilton – Attorney for the Liquidation Trustee)

(This Page Intentionally Left Blank)